THE ATHENS INSTITUTE FOR EDUCATION AND RESEARCH

Abstract Book:

15th Annual International Conference on **Finance**

3-6 July 2017, Athens, Greece

Edited by

Gregory T. Papanikos

2017

Abstracts
15th Annual International Conference on Finance
3-6 July 2017, Athens, Greece

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(In Alphabetical Order by Author's Family name)

Preface

This book includes the abstracts of all the papers presented at the *15th Annual International Conference on Finance, 3-6 July 2017*, organized by the Athens Institute for Education and Research (ATINER).

In total 35 papers submitted by 39 presenters, coming from 15 different countries (Australia, Canada, China, France, India, Mongolia, the Netherlands, Russia, Singapore, South Africa, South Korea, Taiwan, Turkey, UK and USA). The conference was organized into 11 sessions that included a variety of topic areas such as managerial accounting, social responsibility, international finance 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

15th Annual International Conference on Finance
3-6 July 2017, Athens, Greece
Organizing and Academic Committee

All ATINER's conferences are organized by the Academic Committee (https://www.atiner.gr/academic-committee) of the association.

This conference has been organized with the additional assistance of the following academics, who contributed by chairing the conference sessions and/or by reviewing the submitted abstracts and papers:

1. Gregory T. Papanikos, President, ATINER.
2. Peter Koveos, Head, Accounting and Finance Unit, ATINER & Professor of Finance, Syracuse University, USA.
3. George Tannous, Professor, University of Saskatchewan, Canada.
4. Chinmoy Ghosh, Professor and Head, Department of Finance, University of Connecticut, USA.
5. Irina Yarygina, Academic Member, ATINER & Head of Programs and Professor, Financial University under the Government of the Russian Federation, MGIMO (U) under the Ministry for Foreign Affairs of the Russian Federation, Russia.
6. Sylvie Berthelot, Professor, University of Sherbrooke, Canada.
7. Michel Coulmont, Professor, University of Sherbrooke, Canada.
8. Ioannis Kallianiotis, Professor, University of Scranton, USA.
9. Arturo Rubalcava, Associate Professor, University of Regina, Canada.
10. Francois Toerien, Associate Professor, University of Cape Town, South Africa.
11. Suman Lodh, Senior Lecturer, Middlesex University, UK.
12. Monomita Nandy, Senior Lecturer, Brunel University, UK.
13. Georgios Kominis, Academic Member, ATINER & Lecturer, University of Glasgow, UK.
14. Vassilis Skianis, Research Fellow, ATINER.
15. Olga Gkounta, Researcher, ATINER.
16. Hannah Howard, Research Assistant, ATINER.

FINAL CONFERENCE PROGRAM
15th Annual International Conference on Accounting,
3-6 July 2017 Athens, Greece

PROGRAM

Conference Venue: Titania Hotel, 52 Panepistimiou Avenue, Athens, Greece

C O N F E R E N C E   P R O G R A M

Monday 3 July 2017

08:00-09:00 Registration and Refreshments

09:00-09:30 (Room C-Mezzanine Floor) Welcome and Opening Address

Gregory T. Papanikos, President, ATINER.

09:30-11:00 Session I (Room C-Mezzanine Floor): Equity Markets

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

1. Arturo Rubalcava, Associate Professor, University of Regina, Canada. Financial Impact of Canadian Bill 198 on Seasoned Equity Offerings by Canadian Firms.
2. Rousseau Lotter, Senior Lecturer, Stellenbosch University, South Africa. Analyst Activity and Impact before and During the 2008 Financial Crisis.
3. Peter Moores-Pitt, PhD Candidate, University of KwaZulu-Natal, South Africa. Investigating Temporal Variation in the Equity Returns-Inflation Relationship in South Africa.

11:00-12:30 Session II (Room C-Mezzanine Floor): Studies in Managerial and Financial Accounting

Chair: Arturo Rubalcava, Associate Professor, University of Regina, Canada.

1. Sylvie Berthelot, Professor, University of Sherbrooke, Canada, Michel Coulmont, Professor, University of Sherbrooke, Canada & Gabrielle Lanthier, Senior Accountant, KPMG, Canada. Risk Disclosure and Firm Risk: Evidence from Canadian Oil and Gas Companies.
2. Jinbae Kim, Professor, Korea University, South Korea. Relative Performance Evaluation within Business Groups: Evidence from Korea.
3. Nicholas Marudas, Associate Professor, Mercer University, USA. Non Profit Organizational Factors Associated with Higher-quality Financial Reporting.
4. Pamela Schmidt, Assistant Professor, Washburn University, USA & Kimberly Church, Assistant Professor, University of Missouri at Kansas City, USA. Excel Insights of Power-Users and New Hires: Contrarian Expectations for Entry into the Accounting Profession.
5. Haseeb Ayaz, PhD Student, Anglia Ruskin University, UK. Analysis of Carbon Emission Accounting Practices of Leading Carbon Emitting EU Companies.

12:30-14:00 Session III (Room C-Mezzanine Floor): Investment and Growth

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

1. Aysegul Ates, Professor, Akdeniz University, Turkey & Ciceron Kanli, Graduate Student, Université de Montpellier 1, France. Financial Determinants of Investment in Africa.
2. Peter Koveos. Professor, Syracuse University, USA Chinese Outward Foreign Direct Investment. Causes and Effects.
3. Ilknur Zer, Economist, Federal Reserve Board, USA, Chiara Scotti, Federal Reserve Board, USA & Sirio Aramonte, Federal Reserve Board, USA. The Effect of Unexpected Macro News on the Liquidity Profile of Equity Mutual Funds.

14:00-15:00 Lunch

15:00-16:30 Session IV (Room C-Mezzanine Floor): Corporate Governance and Social Responsibility

Chair: Ioannis Kallianiotis, Professor, University of Scranton, USA.

1. Francois Toerien, Associate Professor, University of Cape Town, South Africa & Josie Jansen, Honours Student, University of Cape Town, South Africa. The Relationship between Corporate Environmental Responsibility and Firm Performance on the Johannesburg Stock Exchange.
2. Androniki Triantafylli, Lecturer, Queen Mary University of London, UK, Colin Haslam, Queen Mary University of London, UK, Nicholas Tsitsianis, Queen Mary University of London, UK & Mohammed Kasbar, Queen Mary University of London, UK. Corporate Governance and Financial Performance in Ftse100 from 1999 to 2014.
3. Georgios Kominis, Lecturer, University of Glasgow, UK, Adina Dudau, University of Glasgow, UK & Yvonne Brunetto, Southern Cross University, Australia. Post-Crisis Challenges to Professional Discretionary Powers: An Exploration of the Almost Totally Safe Systems Paradox.
4. Hicham Daher, Assistant Professor, IESEG School of Management, France. Takeovers, Information Asymmetry and the CSR Signal.

16:30-18:00 Session V (Room C-Mezzanine Floor): Studies of Market Behavior

Chair: Francois Toerien, Associate Professor, University of Cape Town, South Africa.

1. Tsoyu Calvin Lin, Professor, National Chengchi University, Taiwan, Hsiao-Chen Lin, National Chengchi University, Taiwan & Chia-Wen Chiang, National Chengchi University, Taiwan. Forecasting Real Estate Markets through Macro-Economic Indicators and Searching Behavior in the Search Engine.
2. Ioannis Kallianiotis, Professor, University of Scranton, USA. Tests of Efficiency in the Foreign Exchange Market.
3. George Tannous, Professor, University of Saskatchewan, Canada. Are Market Reactions to Announcements of Regulatory Mergers Indicators of Forth Coming Operating Improvements or the Results of the Certification Effect?
4. Nazli Sila Alan, Assistant Professor, Fairfield University, USA, Jian Hua, Assistant Professor, Baruch College - CUNY, USA & Robert A. Schwartz, Professor, Baruch College - CUNY, USA. Long-term Trends in Short Period Volatility: Implications for Regulation and Market Structure.

18:00-19:30 Session VI (Room C-Mezzanine Floor): International Finance

Chair: Irina Yarygina, Head of Programs and Professor, Financial University under the Government of the Russian Federation, MGIMO (U) under the Ministry for Foreign Affairs of the Russian Federation, Russia.

1. Ashish Kumar, Assistant Professor, Guru Gobind Singh Indraprastha University, India. Herding in Emerging Economy: An Evidence from Indian Banking Sector.
2. Galina S. Panova, Chair of Banking and Money Circulation Department, MGIMO University, Russia. Banks and Banking in Russia: Current Trends.

21:00-23:00 The Pragmatic Symposium of the Conference as Organized in Ancient Athens with Dialogues, Food, Wine, Music and Dancing but fine tuned to Synchronous Ethics

Tuesday 4 July 2017

07:30-10:30 Session VII: An Educational Urban Walk in Modern and Ancient Athens

Chair: Gregory 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)

11:00-12:30 Session VIII (Room C-Mezzanine Floor): Emerging Issues in Accounting Reporting

Chair: Suman Lodh, Middlesex University, UK and Monomita Nandy, Brunel University, UK.

1. Dorothy McAleer, Visiting Professor/Audit and Risk Management Consultant, McAleer International Management, Inc., USA. A Global Meta-Data Analysis of Factors Influencing Sustainability Report External Assurance.
2. Oluwaseun Osituyo, PhD Student, University of Southampton, UK. Transparency or Adumbration in Risk Reporting? An in-Depth Study of HBOS and HSBC.
3. Zhi Wang, PhD Candidate, Radboud University, The Netherlands, Geert Braam, Associate Professor, Radboud University, The Netherlands & Utz Weitzel, Professor, Radboud University, The Netherlands. Government Intervention and Earnings Management in China.

12:30-14:00 Session IX (Room C-Mezzanine Floor): Financial Markets and Institutions

Chair: George Tannous, Professor, University of Saskatchewan, Canada.

1. Kah Hwa Ng, Professor, Beijing Normal University, China & Jessica Lim, Senior Lecturer, Nanyang Technological University, Singapore. Mis-Selling and Suitability of Structured Products: Regulatory and Ethical Perspectives.
2. Chinmoy Ghosh, Professor and Head, Department of Finance, University of Connecticut, USA & Fan He, Associate Professor, Central CT State University, USA. Do Banks Charge Information Rent in Relationship Loans? Cross-Country Evidence. (Tuesday)
3. Sudipto Sarkar, Professor, McMaster University, Canada. Agency Cost of Debt Overhang with Optimal Investment Timing and Size.
4. Ranadeb Chaudhuri, Associate Professor, Oakland University, USA, Mohinder Parkash, Professor and Chair, Department of Accounting and Finance, Oakland University, USA & Malika Chaudhuri, Assistant Professor, University of Dayton, USA. Information Risk with Exogenous Shock and Cost of Capital: Evidence from the Firms Added to the S&P 500.

14:00-15:00 Lunch

15:00-16:30 Session X (Room C-Mezzanine Floor): Tax Strategies and Financial Reporting

Chair: Chinmoy Ghosh, Professor and Head, Department of Finance, University of Connecticut, USA.

1. Michel Coulmont, Professor, University of Sherbrooke, Canada, Sylvie Berthelot, Professor, University of Sherbrooke, Canada & Catherine Gagne, Controller, Ani-mat Inc., Canada. Corporate Tax Avoidance and Executive Compensation.
2. Gretha Steenkamp, Senior Lecturer, Stellenbosch University, South Africa. The Effect of IFRS 2 Adoption on the Volume and Characteristics of Share-based Remuneration to South African Executives.

16:30-18:00 Session XI (Room C-Mezzanine Floor): Markets and Trading

Chair: Michel Coulmont, Professor, University of Sherbrooke, Canada.

1. San-Lin Chung, Professor, National Taiwan University, Taiwan, Pai-Ta Shih, National Taiwan University, Taiwan & Yan Wang Junior, National Taiwan University, Taiwan. Semi-Static Hedging and Pricing American Floating Strike Lookback Options.
2. Kyung Suh Park, Professor, Korea University, South Korea & Hye-hyun Park, Korea University, South Korea. Overnight Strategy of Foreign Day-traders and Their Performance: An Empirical Study from the Korea Stock Exchange.
3. Sahn-Wook Huh, Associate Professor, University at Buffalo – SUNY, USA, Michael J. Brennan, University of California, USA & Avanidhar Subrahmanyam, University of California, USA. High-Frequency Measures of Informed Trading and Corporate Announcements.
3. Tserenpurev Gotov, Member of the Board, International Bank of Economic Co-operation, Mongolia. Bilateral Cross Currency Swap: International Experience and the Case of Mongolia.
4. Jun-Hao Chen, MSc Student, National Taiwan University, Taiwan & Yun-Cheng Tsai, Assistant Professor, National Taiwan University, Taiwan. Algorithmic Trading of Foreign Exchange via Deep Learning.

21:00- 22:30 Dinner

Wednesday 5 July 2017
Educational Island Tour or Mycenae and Epidaurus Visit

Thursday 6 July 2017
Delphi Visit

Aysegul Ates
Professor, Akdeniz University, Turkey
&
Ciceron Kanli
Graduate Student, Université de Montpellier 1, France

Financial Determinants of Investment in Africa

Africa has experienced noticeable growth during the last decade. The continent achieved average real annual GDP growth 5.4% between 2000 and 2010 (World Economic Forum). Despite Africa's relatively strong growth performance during this period, the levels of domestic investment is still relatively low in most of the African countries. Since there is a direct link between investment levels and growth, examination of determinants of investment in Africa will be beneficial for policy makers who design economic policies to stimulate growth in the continent. The purpose of this study is to investigate the relationship between financial determinants of investment in Africa for a panel of fifty countries over the period 1970-2014 using panel estimation techniques. The empirical results indicate that there is a positive relationship between different indicators of financial development and domestic investment and thus the results support the view that financial development is necessary for an increase in domestic investment in Africa.

Haseeb Ayaz
PhD Student, Anglia Ruskin University, UK

Analysis of Carbon Emission Accounting Practices of Leading Carbon Emitting EU Companies

After the withdrawal of IFRIC 3: Emission Rights in 2005, members of European Union Emissions Trading Scheme (EU ETS) do not have an authoritative course of action for carbon emission allowances accounting. They are allowed to adopt variant accounting approaches to account for granted and purchased carbon emission allowances which has created multiplicity in accounting practices and questions the comparability of different entities in the scheme. By adopting a content analysis methodology, this research scrutinizes accounting approaches followed by the companies in European Union Emission Trading System (EU ETS), and discloses the practices of accounting adopted by these companies to account for carbon permits without the presence of any precise guidelines by the accounting standard setters. This study also highlights the current accounting approaches used for emissions accounting together with providing an ultimate solution in this regard. Because the accounting treatment followed by an entity will produce effects on its financial statements, the results of this research will probably be of high importance to experts of accounting, standard setters, investors, stakeholders, financial reporting preparers, auditors, and academic audiences.

Sylvie Berthelot
Professor, University of Sherbrooke, Canada
Michel Coulmont
Professor, University of Sherbrooke, Canada
&
Gabrielle Lanthier
Senior Accountant, KPMG, Canada

Risk Disclosure and Firm Risk: Evidence from Canadian Oil and Gas Companies

Disclosures about risk and risk management have been the focus of considerable attention from financial and accounting regulators since the 1990s. Discussion documents and guidelines on risk management and/or risk reporting have been published in a number of countries under the aegis of various professional bodies. In Canada, the provincial securities commissions have set out requirements for the disclosure and discussion of risks in Management Discussion and Analysis (MD&As) of the annual report, as have the SEC in the United States and securities regulators in other countries. Organisations have responded positively to these new guidelines, reporting many risks in their MD&As. However, the highly qualitative nature of these disclosures and their apparent similarity from one firm to another raises questions about their validity. One such question is whether these qualitative risk statements adequately reflect organisations' actual risk. Accordingly, the object of this study is to examine whether there is a relationship between the risks a firm discloses in its financial report and the actual risk it incurs, operationalised by Beta, which measures asset risk compared to the market. The study results suggest a positive correlation between these two variables in the Canadian oil and gas industry. This correlation confirms the validity of the initiatives of financial and accounting regulators to encourage organisations to manage their risks and disclose them in their annual reports, even if these disclosures are highly qualitative in nature. These observations thus also validate the efforts companies deploy and the costs they incur to publish this information. The firms' efforts to disclose their risks may be compensated, at least in part, by the communication of useful information to investors, particularly small investors who are less able to process other financial market data, such Beta measure.

Ranadeb Chaudhuri
Associate Professor, Oakland University, USA
Mohinder Parkash
Professor and Chair, Department of Accounting and Finance, Oakland University, USA
&
Malika Chaudhuri
Assistant Professor, University of Dayton, USA

Information Risk with Exogenous Shock and Cost of Capital: Evidence from the Firms Added to the S&P 500

The link between cost of capital and information risk is one of the most fundamental and controversial issues in financial accounting. We need an exogenous shock to unequivocally tease out the link between information risk and cost of capital. In this study, we consider a firm's listing with the S&P 500 index as the exogenous shock. Listing with the index is expected to bring the firm in limelight leading to increased scrutiny of the firm and its management performance by market participants and stock analysts. This may expose the firm to increased information risk which may adversely affect its cost of capital. Empirical evidence in this study suggests that firms that have been listed in the S&P 500 index over the last 30 years exhibit higher cost of capital relative to firms that have not been subjected to the event after controlling for differences in firm characteristics. Results also indicate that volume of information released and precision of information once a firm is listed with the index significantly impacts its cost of capital.

Jun-Hao Chen
MSc Student, National Taiwan University, Taiwan
&
Yun-Cheng Tsai
Assistant Professor, National Taiwan University, Taiwan

Algorithmic Trading of Foreign Exchange via Deep Learning

Deep learning is a type of machine learning for a set of algorithms. Most recent research findings try to use deep learning to solve many puzzles. Deep learning is a good approach to solve image recognition problems especially. In addition, people like to think intuitively from the trading chart. Hence, this paper tries to use the characteristic of deep learning to train the computer how to imitate people's thinking from the trading chart directly. We would like to design an intelligent finance management by using deep learning.We propose three steps as follows to develop the training system.

The first, we do not use the meridional price as our input and need to pre-process our trading data from quantitative data to trading chart before training, next, we use Convolutional-Neural-Network (CNN), a type of the deep learning, to train our trading model, finally, we use foreign exchange (FX) market return to test our model performance and accuracy. After all, we can obtain a trading model to help us make trading strategies. The main application is to help clients obtain personalize trading strategies automatically. When the model detect lost in your trading activity, the system will alarm clients. When the model detect the earning pattern, the system will inform clients to execute trading.

San-Lin Chung
Professor, National Taiwan University, Taiwan
Pai-Ta Shih
National Taiwan University, Taiwan
&
Yan Wang Junior
National Taiwan University, Taiwan

Semi-Static Hedging and Pricing American Floating Strike Lookback Options

The valuation and replication of an American floating strike look back option are important yet difficult in the literature even under Black-Scholes model. We first extend the static hedging approach of Derman et al. (1995) and Carr et al. (1998) to price American floating strike look back options based on a hypothetic static hedging portfolio (HSHP). The proposed method is numerically efficient because (1) it has the desirable pattern of monotonic convergence when the number of time points with matched boundary increases; and (2) the recalculation of the option prices is much quicker than the tree methods. In addition, we apply the put-call symmetry to transform an HSHP into a semi-static hedging portfolio(SSHP) so that the replication of an American floating strike look back option becomes feasible in reality. The SSHP needs to be rebalanced only whenever the realized maximum of the stock price is changed. The numerical results indicate that the hedging performance of an SSHP is far less risky than that of a delta-hedged portfolio with daily rebalancing.

The authors would like to express their sincere gratitude to the Ministry of Science and Technology, Taiwan,for the financial support.

Michel Coulmont
Professor, University of Sherbrooke, Canada
Sylvie Berthelot
Professor, University of Sherbrooke, Canada
&
Catherine Gagne
Controller, Ani-mat Inc., Canada

Corporate Tax Avoidance and Executive Compensation

Executive compensation has been the focus of many studies in accounting research in recent years because of its unprecedented escalation. Some researchers have examined mechanisms to align executive and shareholder interests, while others have studied governance mechanisms to curb the excessive growth of executive compensation, such as Say on Pay and the CEO-to-worker pay ratio. At the same time, it has become increasingly common for organisations to use tax havens for tax avoidance purposes. In Canada, as in other Western countries, some companies do not seem to be paying their fair share of taxes. In light of these two trends and based on the American report, Fleecing Uncle Sam, this study compares the compensation of Canadian CEOs and the amount of taxes their organisations pay. Rather than establish a correlation between the two, the study aims to determine the extent to which executive compensation in Canadian corporations exceeds the amount of taxes the firms pay in order to initiate and fuel discussion on corporate social responsibility. Our findings indicate that close to one-quarter of the 203 Canadian corporations in our sample pay their executives more than they pay in taxes to government authorities. These results raise various questions about the roles executives, directors, tax planners and government authorities play to ensure the fair and transparent distribution of wealth. For the accounting profession, these findings highlight the importance of corporate social responsibility in the development of executive compensation plans.

Hicham Daher
Assistant Professor, IESEG School of Management, France

Takeovers, Information Asymmetry and the CSR Signal

Mergers and Acquisitions (M&A) are common ways for corporate external growth. A big body of academic studies showed that surrounding the announcement period, acquirer shareholders earn on average zero abnormal return where target shareholders realize positive and significant abnormal returns. Corporate Social Responsibility (CSR) disclosure and transparency measures should signal more private information about the acquirers and targets. Thus reducing the information asymmetry during the negotiation period. This paper investigate how the investors perceive CSR information and proceed it to make investment decisions. We elaborate a three level approach where we examine Environment, Social and Governance distances between acquirers and targets and their effect on the market reaction (unexpected or abnormal return) following the M&A announcement. The results show that target's governance level is negatively and significantly related to the probability of completing a deal. This might be an expression of avoiding the acquisition of good governance quality targets due to entrenchment of bidders' directors. The results clearly signal a pricing effect of environmental similarities on target's unexpected return following the announcement. The environment score spread between acquirer and target is positively and significantly linked to the target's CAR. Targets' shareholders appreciate M&A where the environmental distance is high. We explain this as being a positive effect of learning to improve environmental transparency and disclosure.

Chinmoy Ghosh
Professor and Head, Department of Finance, University of Connecticut, USA
&
Fan He
Associate Professor, Central CT State University, USA

Do Banks Charge Information Rent in Relationship Loans? Cross-Country Evidence?

We use 6500 loans from 40 countries to examine the impact of lending relationships on loan contract terms. We find that relationship lending, on average, leads to higher interest rates, lower collateral requirements, and shorter loan maturities for international borrowers. We also find significant variation across countries regarding the benefits and costs of banking relationships, which can be explained by countries' legal and regulatory environments. Stronger creditor rights and higher disclosure requirements significantly increase the benefits of relationship lending. Indeed, borrowers in countries with well-enforced creditor rights and strict disclosure regulations pay lower interest rates on relationship loans.

Tserenpurev Gotov
Member of the Board, International Bank of Economic Co-operation, Mongolia

Bilateral Cross Currency Swap: International Experience and the Case of Mongolia

After Lehman collapsed in 2008, the regional trade in Asia dropped sharply not only because the demand fell due to the crisis but also abrupt disruption of trade financing in dollar as financial institutions around the world, especially the U.S. banks, froze credits. As of consequence of the global crisis, capital inflow and export prices of Mongolia dropped, resulting GDP growth to plunge into -1.3% in 2009.

To reduce a freeze in USD funding globally, Federal Reserve initiated a system of swap line arrangements with other central banks

However, the Fed extended the swap line only to selected central banks which it deemed necessary or systematically important. As a result, many countries, especially developing countries like Mongolia, remained vulnerable to USD funding pressures.

Mongolia had requested to do “swap line” with 5 biggest trading partners, starting in 2009 to mitigate risk of over dependence on dollar funding and commodity super cycle: China, Russia, Japan, Korea, United States. Importance of entering the swap agreement for Mongolia was 1. China is the biggest trading partner of Mongolia, accounting 56% of trade turnover, 2. Second biggest traded currency in Mongolia after USD.

The bilateral swap line could be also a part of Chinese strategy to promote CNY regionally with ultimate goal of making CNY as reserve currency. Initially, the amount of the swap line was based on the bilateral trade turnover of USD 700-800mio in 2009. The amount of the swap line increased corresponding to increases in the trade turnover. Both Bank of Mongolia and People’s Bank of China agreed to extend and increase the swap line in 2016. Mongolia was running on a huge current account deficit from 2010-2012, equal to almost 26% of GDP. The deficit was financed by FDI, which was equal to 45% of GDP in 2011. Authorities have struggled to soft land economy by introducing unconventional monetary policy initiatives, backed by foreign reserve and the swap line. Thus, GDP growth was brought down to moderate level of 7.8% in 2014 from 12% in 2012. At the same time imports from China remained relatively strong during the period, only dropping 21% and 25% in 2015 and 2016 respectively, while the total imports increased 2,3% in 2016. The other results were as following: trade turnover reached USD 6.8 million, increase of 2 times since 2010. Chinese foreign direct investments to Mongolia remained stable at USD 250 million per year while the total FDI dropped significantly, CNY accounted 15% of international settlement of Mongolia in 2016, up from 7% in 2013 as well as CNY share in domestic FX market increased to 16% in 2016, up from 8% in 2014. It is important to mention, that cooperation between central banks, backed by new technologies and international experience, can promote effective bilateral economic cooperation and contribute to stability.

Sahn-Wook Huh
Associate Professor, University at Buffalo – SUNY, USA
Michael J. Brennan
University of California, USA
&
Avanidhar Subrahmanyam
University of California, USA

High-Frequency Measures of Informed Trading and Corporate Announcements

We study informed trading around announcements of merger bids (M&AD) and quarterly earnings (EAD). Extending the EKOP (1996) approach, we compute the daily posterior probabilities of informed trading on good and bad news. We find evidence of informed trading before and after M&AD and EAD. A significant part of the merger bid premium is impounded in stock prices prior to the announcement by informed buying. Post-M&AD informed trading predicts subsequent stock returns and the probabilities that the bid will be withdrawn or met with a competing bid. Pre-EAD informed trading also attenuates the price response to the announcement, and post-EAD informed trading predicts subsequent stock returns.

Kah Hwa Ng
Professor, Beijing Normal University, China
&
Jessica Lim
Senior Lecturer, Nanyang Technological University, Singapore

Mis-Selling and Suitability of Structured Products: Regulatory and Ethical Perspectives

In recent years there has been a rapid growth of Structured Products as an alternative investment asset class in the financial markets. Given the low interest rate environment in these past few years, retail investors and high-netwoth individuals are seeking investment products that provide high coupons and returns. Hence, structured products have gained popularity with retail banking clients. In Asia, such products as equity-linked notes, reverse convertibles, FX accumulators, and TRF (Target Range Forwards) sometimes with embedded complex derivatives are popular. This product represents an innovation of financial engineering in recent years. Structured products are securities which combine fixed-income securities and derivatives such as options. Since the Global Financial Crisis in 2008-2010, there have been numerous cases of mis-selling of such products to retail customers by wealth management units of banks and by private bankers to their private banking clients. Financial regulators and banks alike are concerned with these risk management issues arising from mis-selling and sale of unsuitable structured products. In this paper, we will discuss what constitutes mis-selling and suitability of the sale of structured products. For this paper, we will develop a very recent actual case study to illustrate and discuss issues relating to mis-selling. This case is a court case this year in Hong Kong involving an elderly Asian couple and a Singapore-Based Private Bank. There is not much research conducted on the issues of mis-selling and suitability of structured products from an ethical and regulatory perspectives. We will investigate and discuss these issues. These issues have important implications for risk management in financial institutions. We will conclude by providing regulatory and ethical recommendations and guidelines to prevent mis-selling and sale of unsuitable structured products.

Ioannis Kallianiotis
Professor, University of Scranton, USA

Tests of Efficiency in the Foreign Exchange Market

The objective of this paper is to test the efficiency in the foreign exchange market by using three exchange rates ($/€, $/£, and ¥/$). Different theoretical models are applied, like the random walk hypothesis, the unbiased forward rate hypothesis, the composite efficiency hypothesis, and the exchange rate expectations based on anticipated and unanticipated events (“News”). Also, the determination of the exchange risk premium is taking place by using a GARCH (p, q) model. The empirical results for these three major exchange rates (four currencies) show that relative efficiency exists, but there are significant risk premia for the used, here, exchange rates.

Jinbae Kim
Professor, Korea University, South Korea

Relative Performance Evaluation within Business Groups: Evidence from Korea

This paper investigates whether firms belonging to Korean business groups (Chaebol) evaluate their CEOs relative to performances of affiliated firms in the same business groups. Prior research on the relative performance evaluation investigates whether firms consider their peer group performances when they decide the compensation of their CEOs. Typical peer groups consist of the firms in the same industry or with a similar size because they are considered to face a common risk. Firms in Korean business groups are diverse in size and industries. But because they share strategies, business transactions and corporate culture, those firms are exposed to a common risk. So it is hypothesized that firms in the business groups will use performances of affiliated firms to filter out a common risk. Using compensation data of 424 firms in Korean business groups, we find that affiliated firms are more likely to use the relative performance evaluation compared to non-affiliated firms and that firms in business groups evaluate their CEOs relative to performances of affiliated firms. In case of accounting measures, performances of affiliated firms affect CEO compensation while performance of firms in the same industry does not. These results imply that firms in business groups share common risk even though they are different in size and are operating in diverse industries, and that firms use performances of affiliated firms to improve the efficiency of CEO compensation contracts.

Georgios Kominis
Lecturer, University of Glasgow, UK
Adina Dudau
University of Glasgow, UK
&
Yvonne Brunetto
Southern Cross University, Australia

Post-Crisis Challenges to Professional Discretionary Powers: An Exploration of the Almost Totally Safe Systems Paradox

This paper employs the 'totally safe systems' (Amalberti, 2001) framework from safety sciences to understand what happens to the balance between systems of accountability and trust in the aftermath of adverse events. The study looks at social work as an example of such events and the national context in which they are explored is the UK, an early adopter of New Public Management (NPM) reforms which significantly affected discretionary professional powers around the world. We adopt a critical incident perspective (Flanagan, 1954) to examine failure in professional judgement in two infamous cases of child protection failure, focusing on the subsequent regulatory changes that took place after each of the two crises. This is to elucidate the complexity and dynamism of the control relations between government and the social worker profession.

The study provides evidence to suggest an imbalance between types of 'limits' adopted by the government to prevent future failures. This imbalance, we argue, inevitably affects professional discretion in ways which reduces a profession to mere occupation. Our contribution to the accountability literature is to unravel how adverse events prompt changes to control structures and the balance between trust and control in the public sector contexts. We also seek a contribution to the literature on safety sciences by showing the usefulness of 'organisational limits' model to examine accountability issues in welfare professions.

Peter Koveos
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Chinese Outward Foreign Direct Investment: Causes and Effects

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Herding in Emerging Economy: Evidence from Indian Banking Sector

The proposed study examines the existence of herding amongst the investors and market participants in Indian equity market. This study is different from previous studies as it explores for herding patterns in a sectoral index (Banking Sector) in contrast to the multi-sectoral benchmark index in an emerging economy. The study uses the methodology proposed by Chang et al. (2000) based on cross sectional absolute deviation (CSAD) for exploring the presence of herding in India. The analysis is based on the daily closing prices of CNX Nifty Bank index and scripts formulating this index for a period of 10 years ranging from January 1, 2006 to December 31, 2016. The results of our study show no definite evidence of herding in the Indian Banking sector stocks. A deeper analysis aimed at measuring herding patterns in bullish and bearish phases too indicates an absence of herding in Indian stock market. The results of our study have meaningful implications for the policy makers for regulation of the markets and for investors in forming their investment strategies. The study presents an integrated approach of investors towards asset pricing and shows that investors do not indulge in "imitation buying" and they form their decisions on the basis of their own information.

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&
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Forecasting Real Estate Markets through Macro-Economic Indicators and Searching Behavior in the Search Engine

With the increasing convenience and popularity of the internet, people tend to obtain trade or financing information through the search engine. The availability of the information collected from internet and its related technologies significantly bolster the application of the disaggregated data. These data on the search engine, although fragmented, has recorded people's behavior on internet from search, browse and decision-making process. Traditional analysis of real estate or housing markets usually applies official statistics gathered and sorted by governments, private sectors, or academic institutions. Although these data provide some basic and consistent information, some limitations still exist, such as limited samples and delayed publicity. Data on the search engine serve as the complements of these flaws. They are extremely timely and cover a potentially vast sample of potential economic activities, providing prompt and accurate forecast for the markets.

In order to explore the forecast validity of the data on search engine on housing markets, we collected search engine keywords and index on Google Trends besides traditional economic indicators as independent variables. Through time series model, we examined the relationship between the search engine index and macro-economic variables and housing markets. In addition to the traditional significant effects of economic growth and stock market on housing markets, we also found that search engine index significantly leads both the housing price and volume. Results of this study show that people tend to search and obtain information before entering housing markets. Search engine index can serve as a leading indicator for housing price and volume. The contribution of this study is that searching behavior in the search engine can be applied to forecast housing markets. For real practice, we can promote the application of the data on search engine for the forecast of real estate markets, and provide accurate and timing implications for governments, enterprises and home buyers.

Rousseau Lotter
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Analyst Activity and Impact Before and During the 2008 Financial Crisis

This study compares pre-GFC (global financial crisis) analyst activity and the impact of the analysts' recommendations to analysts' activity and impact on prices during the GFC. Two subsequent 18-month periods were designated for the comparison, the first starting 1 January 2006, the second starting 1 July 2007. From the market's peak to the lowest point during the GFC, the South African total return market index declined by 45.4%. The study uses a variety of techniques to analyse daily price data and recommendations from DataStream and I/B/E/S respectively. The study is free from survivorship bias, and uses total returns to include the effect of dividends on prices.

The results show that, on average, the incidence of an immediate positive risk-adjusted returns after negative recommendations increased, indicating that analysts may have mistimed their negative recommendations after the market had already priced in negative information due to the worldwide contagion of fear and panic. A regression analysis also revealed that none of the Fama-French three-factor model's factors were able to explain the risk-adjusted returns during the crisis period, while the preceding period did show strong explanatory results. Analysts also increased the number of strong sell and sell recommendations more than tenfold when comparing the pre-crisis period to the crisis period, while upgrades from strong sell and sell to hold delivered statistically significant positive results in contrast to negative results from previous studies.

Nicholas Marudas
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Non Profit Organizational Factors Associated with Higher-Quality Financial Reporting

The nonprofit accounting literature provides some evidence on the effects of organizational factors on the quality of nonprofit organizations' (NPO) financial reporting. The proxy used for the effect a factor has on financial reporting quality is its effect on the sensitivity of donations to an accounting measure of NPO inefficiency, the price of giving. Tinkelman (1999) proposes and tests numerous NPO factors, but he tests each factor, one at a time as a dichotomous variable, and arbitrarily selects factor thresholds. For example, for the factor size, he arbitrarily considers NPOs below the 20th percentile of his sample to be "small" and NPOs at or greater than the 20th percentile to be "large". Only Kitching (2009) tests any of his factors as a continuous variable, and she tests only one such factor - size. In this paper, we provide improved evidence on the effects of numerous organizational factors on NPO financial reporting quality by testing all factors, as continuous variables, in a single model. We also propose and test new factors, such as reliance on different types of revenue sources.

Dorothy McAleer
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A Global Meta-Data Analysis of Factors Influencing Sustainability Report External Assurance

This study undertakes a global analysis of meta-data corresponding to sustainability reports generated by various organizational types including for profit and non-profit, listed and non-listed in addition to small and large firms to understand those factors reasonably expected to influence firm decisions to externally assure the reports and the contingent firm choice of assurance provider. Using a sample of 4,504 sustainability reports generated in 2015 by organizations from 31 countries, the research applies a sequential binomial logistical regression analysis to identify the country, firm and report level factors corresponding with the firm decisions to externally assure the reports and the choice of external assurance provider.

The research hypothesizes that both the firm choice to assure and the choice of assurance provider are a function of country, firm and report level factors. A binomial logistic regression was performed to assess the firm choice to externally assure company sustainability reports and was statistically significant, $\chi^2(11) = 1657.223$, $p < .0001$. The Hosmer and Lemeshow goodness of fit test (H-L Test) was not statistically significant ($p = .552$) indicating that the model is not a poor fit. Also, the model explained 44.0% (Nagelkerke R^2) of the variance in organizational choice to secure external assurance on sustainability reports and correctly classified 76.7% of cases with sensitivity at 50.2%, specificity at 87.5%, positive predictive value at 62.14% and negative predictive value at 81.13%.

A sequential binomial logistic regression was performed to assess the firm choice to externally assure company sustainability reports by accountants and was statistically significant, χ^2 (10) = 121.538, $p < .0001$. The H-L Test was not statistically significant ($p = .173$) indicating that the model is not a poor fit. Also, the model explained 12.1% (Nagelkerke R^2) of the variance in organizational choice to secure external assurance on sustainability reports by accountants and correctly classified 66.% of cases with sensitivity at 88.59%, specificity at 27.38%, positive predictive value at 67.59% and negative predictive value at 58.4%.

Peter Moores-Pitt
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Investigating Temporal Variation in the Equity Returns-Inflation Relationship in South Africa

The relationship between equity returns and inflation has been shown in the literature to be conflicting and inconsistent as well as being time and country dependent. This represents an issue in macroeconomics because equities are commonly regarded as a hedge against inflation. Studies of the South African market specifically have also lacked any consistency, with no real agreement being reached between the studies as to the nature of the relationship. One potential explanation for the inconsistencies in the literature is the failure to account for structural breaks. This paper examines the possibility of structural breaks in both the consumer price index and stock market variables using the Zivot-Andrews (1992) test and finds significant evidence of structural breaks in 1988 and 1998 respectively. The equity returns-inflation relationship is then tested using the Gregory-Hansen (1996a, 1996b) test and is also shown to exhibit evidence of a structural break in the relationship in mid-2005. While accounting for this break it is determined that a significant cointegrating relationship still exists between the variables, showing that while equities may still act as an effective hedge against inflation in South Africa, the previous literature is unlikely to fully capture the relationship as structural breaks are not considered. FMOLS and DOLS tests were employed to investigate changes in the nature of the relationship, divided at the date of the structural break. These tests show that the long-run elasticity has changed by approximately 0.5% between each period. Furthermore, it can be concluded that the relationship is subject to temporal variation and structural breaks must be considered in this context.

Oluwaseun Osituyo
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Transparency or Adumbration in Risk Reporting? An in-Depth Study of HBOS and HSBC

This paper examines the risk reporting practices of two large banks that performed differently with regards to funding during the financial crisis of 2007 to 2009. Qualitative content analysis was conducted on the banks' annual reports from 2002 to 2006 and the board members' prior banking related work experience and professional qualification were analysed. The nature of the two banks' risk reporting was examined using institutional theory, upper echelons theory and adumbration (i.e., vague, minimal disclosure) in communication. The results suggest that risk disclosures in both of the banks' annual reports foreshadowed some of the negative events that were experienced by each respective bank and the financial crisis in general. However, the practice of adumbrative reporting was mostly practised by the failed bank rather than the successful bank. Furthermore, these adumbrative risk disclosures were not easily found as they were discretely spread out across the annual reports. At the successful bank, where risk disclosure was more extensive, most executive directors had extensive experience in banking and possessed relevant professional qualifications. While this was not the case in the failed bank, the non-executive directors in the failed bank did have more work experience in banking and other financial services sector indicating that non-executive directors might have been ineffective in the board oversight responsibilities with regards to risk management . Thus, we find that the annual report of a bank may contain carefully distributed risk-related information that can act as a clue to impending difficulties, but that this information may only become evident via painstaking scrutiny. We agree with regulators that banks should report risks in a specific section to ensure better readability and full comprehension of the information supplied and that banks should appoint executive directors based on experience in banking or other financial services. In addition, this research suggests that adequate monitoring should be in place to ensure that such qualified boards effectively use the skills and knowledge that they have gained. This monitoring could be in form of training, performing examinations from time to time for qualified directors on how they may deal with scenario based cases, and/or constant review of business practice by an external supervisory authority.

Galina S. Panova
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Banks and Banking in Russia: Current Trends

In work the analysis of current status and development prospects of monetary economy of Russia is presented. Investigated quantitative parameters of state banks and the banking business in the face of international sanctions; the problems faced by the Russian Federation in imposing sanctions for its financial-credit institutions; identified risks imposing such restrictions in Russia and provides specific recommendations for improving the monetary policy under the new conditions.

The topic deals with key issues of the monetary policy of the Russian Federation and provides the approach to the scientific justification of its implementation. The presentation explores issues related to perspectives and difficulties of forming a common banking regulation system in Eurasian Economic Union, as well as lays out a list of measures aimed at the convergence of the EEU countries banking regulation systems.

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&
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Korea University, South Korea

Overnight Strategy of Foreign Day-traders and Their Performance: An Empirical Study from the Korea Stock Exchange

Using a unique intraday trade and quote data set of the Korea Stock Exchange which includes customized symbols identifying individual accounts, we investigate the overnight strategy of foreign day-traders to determine the factors that affect their overnight positions and their informational advantage in trading over extremely short time horizon. We find that the overnight positions of foreign day-traders are likely to capture positive future stock movements, indicating that foreign day-traders are better informed than domestic ones even on extremely short investment horizon. We also find that foreign day-traders consider currency movements in their decisions on overnight positions and benefit from appreciation in the value of local currency by holding local stocks overnight, whereas domestic day-traders do not.

Arturo Rubalcava
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Financial Impact of Canadian Bill 198 on Seasoned Equity Offerings by Canadian Firms

This study explores the financial impact of the Canadian Bill 198 on seasoned equity offerings by Canadian firms –cross-listed in major U.S. stock exchanges and those listed in the Toronto Stock Exchange only (non-cross-listed). Bill 198 is a Canadian legislation similar to the U.S. Sarbanes-Oxley (SOX) of 2002 focused in increased transparency in financial information. Canadian Bill 198, also called Canadian SOX (CSOX), became effective in December 2005. The study finds the market reaction to all offer announcements is not different between the period 1999-2005 (pre-Bill) and the period 2006-2011 (post-Bill). When distinguishing offers by cross-listed and matched non-cross-listed firms, the market reaction is also not significantly different between the pre- and the post-Bill periods, after conditioning for offer and firm characteristics. On the other hand, when distinguishing offers by underwriting method (marketed underwritten versus bought deals), the market reaction is less positive for marketed underwritten offers than bought deals for the post-Bill period only –mostly for non-cross-listed firms. This may explain why marketed underwritten offers have decreased significantly as a choice for underwriting seasoned equity offerings in the last few years.

Sudipto Sarkar
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Agency Cost of Debt Overhang with Optimal Investment Timing and Size

The debt overhang or underinvestment problem (that is, an equity-maximizing levered firm will under-invest relative to a firm-value-maximizing firm) is well established in the literature. However, numerical studies have demonstrated that the agency cost of debt overhang is negligible, which might bring into question the practical relevance of the debt overhang problem in corporate finance. Our study contributes to the literature by demonstrating that, when the firm is allowed to choose both the timing and the size of investment (as is usually the case in real life), the agency cost of debt overhang is substantially larger. It is shown numerically that, in this scenario, the agency cost of debt overhang is no longer negligible. In fact, when the firm chooses investment size and capacity as well as debt level optimally, agency cost can be quite large, about 11% in the base case. Thus, in realistic scenarios, the agency cost can be economically very significant. This illustrates that the debt overhang problem is of significant practical relevance, and must not be ignored when making corporate investment decisions.

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&
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Excel Insights of Power-Users and New Hires: Contrarian Expectations for Entry into the Accounting Profession

There is high demand from the accounting profession to prepare graduates with the technical skills required for entry into accounting careers. Excel spreadsheets are used extensively in most professional accounting positions, so the mastery of appropriate Excel skills increases productivity and enhances the analytical support new hires can provide to business decision-makers. This study investigates the demand for specific Excel spreadsheet skills for accounting new hires. Three populations were surveyed: Excel power-users (highly experienced users among accounting and management professionals, aka Power-Users), recent accounting new hires (a mean of 2.8 years of professional experience), and a set of current students (under-graduate and graduate students). The results suggest a) consistent expectations among new hires and current students, b) significantly different and lower expectations from power-users regarding new hire skills, and c) an opportunity for new hires to meaningfully and quickly contribute based on heightened Excel spreadsheet skills. Higher Excel skills enable new hires to have more immediate impact and to distinguish themselves professionally early in their career. These findings should inform the hiring employers of accountants and accounting educators. Further, it should motivate accounting graduates regarding the foundational spreadsheet skills to attain, based on what is required and desired by current employers.

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Jian Hua
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&
Robert A. Schwartz
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Long-term Trends in Short Period Volatility: Implications for Regulation and Market Structure

This paper assesses the evolution of price volatility at market openings for NYSE and NASDAQ listed companies over the period 1993–2012, and for Istanbul Stock Exchange companies over the period 2000–2011. We target on opening volatility as a comprehensive assessment of the impact of microstructure factors that include spreads, market impact costs, and the (in) efficiency of price discovery. Using six differentiated measures, we find that opening volatility has increased substantially for NYSE stocks, has remained high for NASDAQ stocks, and has decreased for ISE stocks. Cross-sectional analysis suggests that a major determinant of opening volatility is market fragmentation which, primarily for NYSE stocks, has become sharply more pronounced in recent years. Implications for regulation and market structure are discussed.

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The Effect of IFRS 2 Adoption on the Volume and Characteristics of Share-based Remuneration to South African Executives

Share-based payments (SBPs) (such as options and conditional or restricted shares) are increasingly used as part of the remuneration package for executive directors by South African listed companies. The rationale behind such payments are that they align the concerns of the executives with those of the shareholders. Before the effective date of the International Financial Reporting Standard Two (IFRS 2), equity-settled SBPs were not recognised as an expense in the financial statements of the company (which probably increased their popularity).

Most previous studies on directors' remuneration in South Africa neglects share-based remuneration due to the complexity of the share-based arrangements and its disclosure. However, it is important that shareholders and other stakeholders of companies are aware of the volume and characteristics of SBPs to executives, and whether this has been influenced by South Africa adopting IFRS 2. This is especially important given that the International Accounting Standards Board (IASB) was relooking at IFRS 2 to determine whether significant adjustments to its methodology relating the equity-settled SBPs are required. If the initial adoption of IFRS 2 had an effect on business practice, then any significant adjustments could also similarly affect the volume and characteristics of SBPs being employed.

The objective of this paper is to examine the volume and characteristics of share-based remuneration to executive directors in South Africa, focusing on the period before and after the implementation of IFRS 2. This will allow us to determine whether the expensing of SBPs since 2006 has influenced the volume and characteristics of SBPs being used as directors' remuneration. This will in turn allow a proactive evaluation of whether future changes to IFRS 2 might also affect these SBPs being employed by companies.

George Tannous
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Are Market Reactions to Announcements of Regulatory Mergers Indicators of Forth Coming Operating Improvements or the Results of the Certification Effect?

The recent financial crisis provides a great opportunity to study banking mergers, especially ones with failed targets and government assistance (regulatory mergers). This study adopts multiple approaches to study two main questions. First, we use operating measures to investigate whether regulatory mergers lead to economic synergies for the combined entities. Our results show that acquirers in regulatory mergers experience significant improvements in both profitability and cost efficiency, one year and two years following the merger transaction. In contrast, we do not find similar improvements in non-regulatory mergers. Second, we propose that an invitation by the Federal Deposit Insurance Corporation (FDIC) to a bank to participate in the auction implies a certification by the FDIC that the invited bank is in good financial position. The certification reduces information asymmetry about a participant's financial health, improves its credibility, and lowers the risk premium investors demand to buy the bank's securities. Thus, the invitation creates value and we call this value "Certification Effect". Our results show that successful bidders in regulatory mergers tend to experience significant positive market reactions. Consistent with the Certification Effect, we find that the positive market reaction to successful first-time participants is significantly higher than the market reaction to successful experienced applicants. Furthermore, our results show that unsuccessful first time participants experience positive market reactions to the announcement of their participation while unsuccessful experienced applicants do not experience similar abnormal returns.

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The Relationship between Corporate Environmental Responsibility and Firm Performance on the Johannesburg Stock Exchange

This study investigates whether it pays to be green, by examining the correlations between Corporate Financial Performance (CFP) and, respectively, Corporate Environmental Responsibility (CER) disclosure and corporate environmental performance, using the Top 100 firms listed on South Africa's Johannesburg Stock Exchange (JSE) between 2010 to 2015 as sample. Pooled and fixed effects panel data regression techniques are used to investigate the relationship between environmental disclosure scores and Corporate Environmental Performance (CEP) scores as independent variables, and Return on Assets (ROA) and Return on Equity (ROE) as dependent variables. Control variables include the log of asset size, leverage and, in the case of the pooled regressions, industry classification. The study finds a positive relationship between environmental disclosure and financial performance, as well as a positive but not statistically significant link between CEP and CFP. To our knowledge this study is the first of its kind conducted within South Africa. It provides further insight into the relevance of the above-mentioned relationship between CER and CFP, and aims to provide investors with a financial justification for Socially Responsible Investing (SRI).

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Corporate Governance and Financial Performance in Ftse100 from 1999 to 2014

The area of corporate governance has attracted considerable attention in the last decade or so due to the resurgent interest in policies and rules capable of upholding the cohesiveness of an organization. Corporate governance acts as an anchor of accountability on behalf of the organisation in the light of financial, legal and ethical considerations. Further interest was fuelled by some spectacular corporate failures such as the ones of Enron, Allied Irish Bank, WorldCom, Xerox, Merrill Lynch, Parmalat and Andersen, all of which exhibited poor, obscured and occasionally unethical corporate governance practices. As it has been acknowledged by various corporate governance codes, with The Cadbury Code being the forerunner, corporate governance has been linked with organisational performance and managerial behaviour. It is often said that 'good' corporate governance and value creation go hand-in-hand and the company success is contingent on adopting ethical conduct. The empirical evidence on this area have started to flourish and various researches have been performed with a view to shedding more light between corporate governance and financial performance, yet the results have been mixed and inconclusive due to some identified research limitations related to, to name but two, sample considerations and measurement error. In this study, we attempt to shed some light on the relationship between corporate governance and financial performance by explicitly accounting for past limitations. We do so by employing a comprehensive measurement (32 variables) of corporate governance proxies and three measures of financial performance so as to avoid - as previously recorded - omitted variable biasedness. Furthermore, we model a large panel data of 79 non-financial companies listed in FTSE100 between 1999 and 2014. First of all our results show that not all the exogenously imposed (by the Codes)

corporate governance initiatives exert a significant impact on financial performance. However, after controlling for financial variables including research and development (R&D) expense, book to market (B/M), free cash flow (FCF) and leverage, we unveil that the directors' busyness negatively affect the financial performance whereas the tenure and the board internationalisation (% foreign directors) and experience exert a positive impact on financial performance. Finally, financial performance appears to be boosted in the presence of equity-linked compensation and seems to be suppressed in the light of non-executive directors' salaries. Finally, all the models were corrected for mis-specification errors.

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Government Intervention and Earnings Management in China

This study examines whether government intervention influences financial reporting quality in China by investigating how government control and political connections affect Chinese listed firms' choices for earnings management strategies. Firms can use multiple strategies to manage their earnings, i.e., accrual-based and real earnings management. We argue that government-controlled and politically connected firms are more likely to use real earnings management than respectively non-government-controlled firms and firms without political connections. Although real earnings management is more costly, we expect that government-controlled and politically connected firms prefer this strategy because of its higher secrecy to mask political favors and potential to protect their reputation. Firms with political connections are also expected to have more incentives and opportunities to use more accrual-based earnings management. Using a unique panel data set of 5,620 publicly traded firms in China for the years 2009–2013, our results show that government-controlled firms, especially centrally government-controlled firms, are more likely to resort to costly but less-detectable real earnings management strategies than non-government-controlled firms. Compared with locally government-controlled firms, centrally government-controlled firms also use more earnings management in total. We also find that firms with political connections are more likely to use both accrual-based and real earnings management than their non-connected peers, indicating that in China listed firms with political connections manage their earnings, in total, more than firms without political connections. Together, our findings suggest that government intervention negatively affects Chinese listed firms' earnings quality, and thus financial reporting quality.

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The Effect of Unexpected Macro News on the Liquidity Profile of Equity Mutual Funds