THE ATHENS INSTITUTE FOR EDUCATION AND RESEARCH

Abstract Book

17th Annual International Conference on Accounting & Finance

8-11 July 2019, Athens, Greece

Edited by
Gregory T. Papanikos

2019

Abstracts
17th Annual International Conference on Accounting & Finance

8-11 July 2019, Athens, Greece

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TABLE OF CONTENTS

(In Alphabetical Order by Author's Family name)

Preface		9
Organizing Committee		10
Conference Program		11
1.	**Accounting Practices and Regulations in the Extractive Industries: What have we learnt and where are we going?** *Hafez Abdo*	15
2.	**An Overview of Corporate Governance Practice in Companies Listed on the Libyan stock Exchange** *Salem Amara*	17
3.	**Designing Serious Games for Accounting Education** *Viktor Arity, Gillian Vesty, Albie Brooks & Michael Taouk*	18
4.	**Environmental Management Accounting Practices and Policies within the Higher Education Sector: An Exploratory Study of the University of KwaZulu-Natal (UKZN)** *Kiran Baldavoo & Mishelle Doorasamy*	20
5.	**Human Resources Accounting: Challenges and Opportunities** *Vahid Biglari & Zahra Pourabedin*	22
6.	**The Impact of the Subprime Crisis on Corporate Governance** *Xavier Bredart*	23
7.	**An Accounting Model for Credit Card Rewards Programmes: A Multi-Phase Grounded Theory Mixed Method Explanatory Study** *Sophia Brink*	24
8.	**The Association between Activity Based Costing and Performance: Empirical Evidence from Moroccan Companies** *Karim Charaf & Rahmouni Ahmed Fath-Allah*	25
9.	**The Importance of Tail Risk in Predicting Financial Distress of Firms** *Sajid Mukhtar Chaudhry & Elnaz Bajoori*	26
10.	**The Effects of Financial Statements Classification and Placement on Investor Decision Making** *Xu Cheng*	27
11.	**Distress Risk Puzzle and Analyst Forecast Optimism** *Kai Cheung (Kenneth) Chu & Weihuan (Sophia) Zhai*	29
12.	**Multidimensional Management of Accounting Information in ERP (Enterprise Recourses Planning) Systems** *Radu Danciu*	30
13.	**Big 4 Office Political Connections and Client Restatements** *Anastasios Elemes & Jeff Chen*	31
14.	**The Effect of Fair Value Accounting on Dividend Policy. The Case of Financial Service Sector in South Africa** *Samuel Tabot Enow*	32
15.	**The Impact of Attitude towards Socially Responsible Investment (SRI) on the Investment Decision-making of Young Investors** *Pierre Erasmus & Kara Nel*	34

16.	**SMEs' Financial Risks in Supply Chain Trade with Large Companies: The Case of Italian Automotive Industry** *Marco Errico*	36
17.	**Management Structure in the Performance of Polish Mutual Funds: Does Team Spirit Matter?** *Dariusz Filip*	37
18.	**Financial Statement Fraud Detection using Financial and Textual Data** *Tobias Christian Gleichmann & Michael Gruning*	38
19.	**Developing a Planning Framework at a Strategic Level for Internal Auditors which Integrates Continuous Auditing Procedures** *Riana Goosen & Hendrike van Dyk*	39
20.	**A Critical Analysis of Whether the Supply of Electronic Knowledge Databases by a Non-Resident Supplier Falls within the Meaning and Ambit of 'Educational Services': A South African VAT Perspective** *Andrea Herron*	41
21.	**Religiosity Level Analysis of Understanding of Sharia Accounting Concept and its Implementation of Sharia Accounting Tandards in Islamic Financial Entities in Indonesia** *Mohamad Heykal*	43
22.	**Flight from Liquidity and Corporate Bond Return** *Saeid Hoseinzade & Ronnie Sadka*	44
23.	**Misperceptions of First-Year Business Students** *Roger Hussey*	45
24.	**Are the Single Mandate of the ECB and the Dual of the Fed Maximizing the Social Welfare?** *John Kallianiotis*	46
25.	**Risk-Integrated Financial Analysis of a Firm's Strategic Fixed-Cost Spending** *Jai Kang*	47
26.	**SRI Labels and ESG Values: A Comparative Analysis of Investment Funds in Two Dimensions** *Vassilis Katsoulis, Ioannis Oikonomou & Tony Moore*	48
27.	**China's Reforms and Inequalities** *Peter Koveos & Yimin Zhang*	49
28.	**The Effects of Collateral Shocks in the Context of Capital and Labour Dynamics** *Shushu Liao*	50
29.	**Do Hedged Mutual Funds Extract Value from the Capital Markets?** *Nathaniel Light & Ivan Stetsyuk*	51
30.	**The Effects of Non Profit Organizational Factors on the Sensitivity of Donations to Fundraising Expenditures** *Nicholas Marudas*	52
31.	**IPO Performance and Stochastic Dominance** *Vassil Mihov & Jue Ren*	53

32.	**Idiosyncratic Risk. How important is it?** *David Morelli*	54
33.	**Factors Affecting Students' Performance in First-year Accounting** *Audra Ong*	55
34.	**U.S. Monetary Policy and Sovereign CDS Markets** *Xiaoling Pu, Michael Ellis & Dandan Liu*	57
35.	**Pension Funds Pooling: Macro-Economic and Social Implications** *Ravit Rubinstein-Levi & Haim Kedar-Levy*	58
36.	**Inequality, Credit, and Crises: The Role of Culture** *Oliver Schulz, Christian Dreyer & Nadja Guenster*	59
37.	**Financing Patterns and Performance Outcomes of Women versus Men-Owned Young Entrepreneurial Firms** *Tatyana Sokolyk & Rebel Cole*	60
38.	**The Governance Role of Unions in Improving Investment Efficiency** *Surjit Tinaikar, Yong-Chul Shin & Yu Zhang*	61
39.	**The Mediated Association among Corporate Governance, Agency Conflicts and Financial Performance** *Androniki Triantafylli, Nicholas Tsitsianis & Mohammed Kasbar*	62
40.	**South African Tax Consequences of the Disposal and Acquisition of Property by Way of a Lottery** *Danielle van Wyk & Silke De Lange*	64
41.	**Director Networks and CEO Compensation: The Moderating Effect of Corporate Governance Mechanisms** *Yan Wang, Kevin Campbell & Collins Ntim*	65
42.	**Application of Real Options to Valuation and Decision Making in the Petroleum E&P Industry** *Liying Xu*	66
43.	**Volatility and Daily Returns of S&P 500 Index** *Simon Yang*	68
44.	**CEO Optimism and Stock Price Crashes** *Ko-Chia Yu*	69

Preface

This book includes the abstracts of all the papers presented at the *17th Annual International Conference on Accounting & Finance (8-11 July 2019)*, organized by the Athens Institute for Education and Research (ATINER).

In total 44 papers were submitted by 45 presenters, coming from 18 different countries (Australia, Belgium, Canada, France, Germany, Hong Kong, Indonesia, Israel, Italy, Libya, Morocco, Poland, Romania, Singapore, South Africa, Taiwan, UK, and USA). The conference was organized into 11 sessions that included a variety of topic areas such as Macro-Finance, Governance, Accounting for Economic Sectors, Accounting Studies, Country Studies, Accounting Education and Information, Equity and Debt Markets, and other. 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 6 divisions and 37 units. Each 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

17th Annual International Conference on Accounting & Finance
8-11 July 2019, Athens, Greece

Scientific Committee

All ATINER's conferences are organized by the Academic Council. This conference has been organized with the assistance of the following academics, who contributed by a) setting up the program b) chairing the conference sessions, and/or c) reviewing the submitted abstracts and papers:

1. Gregory T. Papanikos, President, ATINER & Honorary Professor, University of Stirling, UK.
2. Peter Koveos, Head, Accounting and Finance Unit, ATINER & Professor of Finance, Syracuse University, USA.
3. Roger Hussey, Emeritus Professor, University of Windsor, Canada.
4. Jai Kang, Professor, San Francisco State University, USA.
5. Hafez Abdo, Professor, Sheffield Hallam University, UK.
6. John Kallianiotis, Professor, University of Scranton, USA.
7. Nicholas Marudas, Associate Professor, Mercer University, USA.
8. Vassil Mihov, Associate Professor, Texas Christian University, USA.
9. Ko-Chia Yu, Assistant Professor, National Chung Cheng University, Taiwan.
10. Yan Wang, Senior Lecturer, De Montfort University, UK.
11. Amama Shaukat, Senior Lecturer, Brunel University, UK.
12. Liying Xu, Visiting Assistant Professor, Oklahoma State University, USA.
13. Ravit Rubinstein-Levi, Academic Member, ATINER & Lecturer, Ben-Gurion University of the Negev, Israel.
14. Joseph VanVo, Adjunct Professor, College of Business Administration, California State University, Sacramento, USA.

FINAL CONFERENCE PROGRAM

17th Annual International Conference on Accounting & Finance, 8-11 July 2019, Athens, Greece

Conference Venue: Titania Hotel, 52 Panepistimiou Avenue, Athens, Greece (close to metro station *Panepistimio*)

Monday 8 July 2019

07:50-08:40 Registration and Refreshments

08:50-09:15 (Room C - 10th Floor): Welcome and Opening Address by Gregory T. Papanikos, President, ATINER.

09:30-11:30 Session I (Room E - Mezzanine): Financial Issues

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

1. Simon Yang, Associate Professor, Adelphi University, USA. Volatility and Daily Returns of S&P 500 Index.
2. Nathaniel Light, Assistant Professor, St. John Fisher College, USA & Ivan Stetsyuk, Associate Professor, University of Quebec, Canada. Do Hedged Mutual Funds Extract Value from the Capital Markets?
3. David Morelli, Senior Lecturer, University of Kent, UK. Idiosyncratic Risk. How important is it?
4. Liying Xu, Visiting Assistant Professor, Oklahoma State University, USA. Application of Real Options to Valuation and Decision Making in the Petroleum E&P Industry.
5. Vassilis Katsoulis, PhD Student, ICMA Centre, University of Reading, UK, Ioannis Oikonomou, Associate Professor, University of Reading, UK & Tony Moore, Lecturer, University of Reading, UK. SRI Labels and ESG Values: A Comparative Analysis of Investment Funds in Two Dimensions.
6. Pierre Erasmus, Professor, Stellenbosch University, South Africa & Kara Nel, PhD Student, Stellenbosch University, South Africa. The Impact of Attitude towards Socially Responsible Investment (SRI) on the Investment Decision-making of Young Investors.

11:30-13:00 Session II (Room E - Mezzanine): Macro-Finance

Chair: Vassil Mihov, Associate Professor, Texas Christian University, USA.

1. John Kallianiotis, Professor, University of Scranton, USA. Are the Single Mandate of the ECB and the Dual of the Fed Maximizing the Social Welfare?
2. Xiaoling Pu, Associate Professor, Kent State University, USA, Michael Ellis, Professor, Kent State University, USA & Dandan Liu, Associate Professor, Kent State University, USA. U.S. Monetary Policy and Sovereign CDS Markets.
3. Ravit Rubinstein-Levi, Lecturer, Ben-Gurion University of the Negev, Israel & Haim Kedar-Levy, Professor, Ben-Gurion University of the Negev, Israel. Pension Funds Pooling: Macro-Economic and Social Implications.
4. Oliver Schulz, PhD Student, University of Muenster, Germany, Christian Dreyer, PhD Student, University of Muenster, Germany & Nadja Guenster, Professor, University of Muenster, Germany. Inequality, Credit, and Crises: The Role of Culture.

13:00-14:30 Session III (Room E - Mezzanine): Governance

Chair: Jai Kang, Professor, San Francisco State University, USA.

1. Surjit Tinaikar, Associate Professor, University of Massachusetts Boston, USA, Yong-Chul Shin, Associate Professor, University of Massachusetts Boston, USA & Yu Zhang, Student, University of Houston, USA. The Governance Role of Unions in Improving Investment Efficiency.
2. Tatyana Sokolyk, Associate Professor, Brock University, Canada & Rebel Cole, Professor, Florida Atlantic University, USA. Financing Patterns and Performance Outcomes of Women versus Men-Owned Young Entrepreneurial Firms.
3. Androniki Triantafylli, Senior Lecturer, Queen Mary University of London, UK, Nicholas Tsitsianis, Senior Lecturer, Queen Mary University of London, UK & Mohammed Kasbar, PhD Student, Queen Mary University of London, UK. The Mediated Association among Corporate Governance, Agency Conflicts and Financial Performance.
4. Yan Wang, Senior Lecturer, De Montfort University, UK, Kevin Campbell, Senior Lecturer, University of Stirling, UK & Collins Ntim, Professor, University of Southampton, UK. Director Networks and CEO Compensation: The Moderating Effect of Corporate Governance Mechanisms.
5. Xavier Bredart, Research and Teaching Associate, University of Mons, Belgium. The Impact of the Subprime Crisis on Corporate Governance.

14:30-15:30 Lunch

15:30-17:00 Session IV (Room E - Mezzanine): Accounting: Implementation and Decision-Making

Chair: Yan Wang, Senior Lecturer, De Montfort University, UK.

1. Nicholas Marudas, Associate Professor, Mercer University, USA. The Effects of Non Profit Organizational Factors on the Sensitivity of Donations to Fundraising Expenditures.
2. Xu Cheng, Assistant Professor, Auburn University, USA. The Effects of Financial Statements Classification and Placement on Investor Decision Making.
3. Anastasios Elemes, Assistant Professor, ESSEC Business School, France & Jeff Chen, Assistant Professor, Texas Christian University, USA. Big 4 Office Political Connections and Client Restatements.
4. Sophia Brink, Lecturer, Stellenbosch University, South Africa. An Accounting Model for Credit Card Rewards Programmes: A Multi-Phase Grounded Theory Mixed Method Explanatory Study.

17:00-18:30 Session V (Room E - Mezzanine): Accounting for Economic Sectors

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

1. Hafez Abdo, Professor, Sheffield Hallam University, UK. Accounting Practices and Regulations in the Extractive Industries: What have we learnt and where are we going?
2. Karim Charaf, Professor, Groupe ISCAE, Morocco & Rahmouni Ahmed Fath-Allah, Chouaib Doukkali University, Morocco. The Association between Activity Based Costing and Performance: Empirical Evidence from Moroccan Companies.
3. Vahid Biglari, Lecturer, Newcastle University in Singapore, Singapore & Zahra Pourabedin, University of Reading Malaysia, Malaysia. Human Resources Accounting: Challenges and Opportunities.

18:30-20:00 Session VI (Room E - Mezzanine): Accounting Studies

Chair: Liying Xu, Visiting Assistant Professor, Oklahoma State University, USA.

1. Jai Kang, Professor, San Francisco State University, USA. Risk-Integrated Financial Analysis of a Firm's Strategic Fixed-Cost Spending.
2. Mohamad Heykal, Lecturer, Bina Nusantara University (BINUS), Indonesia. Religiosity Level Analysis of Understanding of Sharia Accounting Concept and its Implementation of Sharia Accounting Tandards in Islamic Financial Entities in Indonesia.
3. Riana Goosen, Lecturer, Stellenbosch University, South Africa & Hendrike van Dyk, MSc Student, Stellenbosch University, South Africa. Developing a Planning Framework at a Strategic Level for Internal Auditors which Integrates Continuous Auditing Procedures.
4. Tobias Christian Gleichmann, PhD Student, Ilmenau University of Technology, Germany & Michael Gruning, Professor, Ilmenau University of Technology, Germany. Financial Statement Fraud Detection using Financial and Textual Data.

21:00-23:00 Greek Night and Dinner

Tuesday 9 July 2019

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

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)

11:00-13:00 Session VIII (Room E - Mezzanine): Country Studies

Chair: Roger Hussey, Emeritus Professor, University of Windsor, Canada.

1. Peter Koveos, Professor and Chair, Finance Department, Syracuse University, USA & Yimin Zhang, Dean Emeritus, University of Shanghai for Science and Technology, Shanghai, China. China's Reforms and Inequalities.
2. Dariusz Filip, Assistant Professor, Cardinal Stefan Wyszyński University in Warsaw, Poland. Management Structure in the Performance of Polish Mutual Funds: Does Team Spirit Matter?
3. Danielle van Wyk, Senior Lecturer, Stellenbosch University, South Africa & Silke De Lange, Lecturer, Stellenbosch University, South Africa. South African Tax Consequences of the Disposal and Acquisition of Property by Way of a Lottery.
4. Andrea Herron, Senior Lecturer, Stellenbosch University, South Africa. A Critical Analysis of Whether the Supply of Electronic Knowledge Databases by a Non-Resident Supplier Falls within the Meaning and Ambit of 'Educational Services': A South African VAT Perspective.
5. Marco Errico, Research Fellow, University of Brescia, Italy. SMEs' Financial Risks in Supply Chain Trade with Large Companies: The Case of Italian Automotive Industry.

13:00-14:30 Session IX (Room E - Mezzanine): Finance Studies

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

1. Ko-Chia Yu, Assistant Professor, National Chung Cheng University, Taiwan. CEO Optimism and Stock Price Crashes.
2. Vassil Mihov, Associate Professor, Texas Christian University, USA & Jue Ren, Assistant Professor, Texas Christian University, USA. IPO Performance and Stochastic Dominance.

3. Sajid Mukhtar Chaudhry, Senior Lecturer, Aston University, Birmingham, UK & Elnaz Bajoori, Lecturer, Bath University, UK. The Importance of Tail Risk in Predicting Financial Distress of Firms.
4. Kai Cheung (Kenneth) Chu, Senior Research Fellow, Hong Kong Polytechnic University, Hong Kong & Weihuan (Sophia) Zhai, PhD Student, Hong Kong Polytechnic University, Hong Kong. Distress Risk Puzzle and Analyst Forecast Optimism.
5. Shushu Liao, PhD Student, Lancaster University, UK. The Effects of Collateral Shocks in the Context of Capital and Labour Dynamics.

14:30-15:30 Lunch

15:30-17:30 Session X (Room E - Mezzanine): Accounting Education & Information

Chair: Hafez Abdo, Professor, Sheffield Hallam University, UK.

1. Roger Hussey, Emeritus Professor, University of Windsor, Canada. Misperceptions of First-Year Business Students.
2. Audra Ong, Professor, University of Windsor, Canada. Factors Affecting Students' Performance in First-year Accounting.
3. Viktor Arity, Associate Lecturer, RMIT University, Australia, Gillian Vesty, Associate Professor, RMIT University, Australia, Albie Brooks, Associate Professor, The University of Melbourne, Australia & Michael Taouk, Managing Director, YML Group, Australia. Designing Serious Games for Accounting Education.
4. Radu Danciu, Associate Professor, Dimitrie Cantemir Christian University, Romania. Multidimensional Management of Accounting Information in ERP (Enterprise Recourses Planning) Systems.
5. Kiran Baldavoo, Senior Lecturer, University of KwaZulu-Natal, South Africa & Mishelle Doorasamy, Lecturer, University of KwaZulu-Natal, South Africa. Environmental Management Accounting Practices and Policies within the Higher Education Sector: An Exploratory Study of the University of KwaZulu-Natal (UKZN).
6. Samuel Tabot Enow, Lecturer, Cape Peninsula University of Technology, South Africa. The Effect of Fair Value Accounting on Dividend Policy. The Case of Financial Service Sector in South Africa.

17:30-18:30 Session XI (Room E - Mezzanine): Equity and Debt Markets

Chair: Ko-Chia Yu, Assistant Professor, National Chung Cheng University, Taiwan.

1. Saeid Hoseinzade, Assistant Professor, Suffolk University, USA & Ronnie Sadka, Professor, Boston College, USA. Flight from Liquidity and Corporate Bond Return.
2. Salem Amara, Assistant Professor, Sabratha University, Libya. An Overview of Corporate Governance Practice in Companies Listed on the Libyan stock Exchange.

20:30-22:00 Dinner

Wednesday 10 July 2019
Mycenae and Island of Poros Visit
Educational Island Tour

Thursday 11 July 2019
Delphi Visit

Friday 12 July 2019
Ancient Corinth and Cape Sounion

Hafez Abdo
Professor, Sheffield Hallam University, UK

Accounting Practices and Regulations in the Extractive Industries: What have we learnt and where are we going?

Purpose

The financial reporting practices of extractive industries' entities are characterised by a long history of varied accounting methods. IFRS 6, Exploration for and Evaluation of Mineral Resources, was specifically developed for oil and gas companies and issued for financial reporting periods on or after 1 January 2006. However, IFRS 6 has been shown to be an ineffective standard for unifying accounting practices in the extractive industries. Accordingly, the International accounting Standard Board (IASB) re-instigated the extractive industries project in September 2018. This paper aims to discuss key controversies in accounting for extractive industries and to analyse historical attempts by international accounting bodies to harmonise accounting practice by these industries. This research project intends to offer a platform for the IASB in its efforts to construct a comprehensive accounting standard for the extractive industries.

Design/Methodology/Approach

This is a two stages project. The first stage involves a comprehensive literature review of the historical evolution of accounting regulations and practices by extractive industries, and an evaluation of attempts by accounting bodies to harmonise accounting practices by extractive industries. The second stage involves constructing an accounting practice index that aims to show the historical development, and variety, of accounting practices by extractive industries. This data gathered via the index will be used to determine differences and similarities in accounting practices across different jurisdictions, periods and companies operating in the same jurisdiction and period. The results of the second stage will be used, for a further study, in constructing a questionnaire survey and framing a set of interviews. In this third stage, analysis of the questionnaire and interview data will offer policy related lessons and suggestions to the IASB in its efforts to engineer a comprehensive IFRS for the extractive industries.

Findings

The current literature indicates a clear diversity in accounting and reporting practice within the extractive industries. Historically, calls have

been made to unify accounting and reporting practices for extractive industries' entities, however attempts by international accounting bodies have failed in meeting the essence of these calls. Notwithstanding, the IASB is determined to issue a comprehensive IFRS for the extractive industries: yet the basis of these efforts are questionable.

Originality/Value

To our knowledge, this is the first study to use a multi-stage approach in analysing historical accounting practices, and current efforts to construct a comprehensive IFRS for the extractive industries. This study is timely because the IASB has placed the extractive industries project on his agenda late in 2018.

Salem Amara
Assistant Professor, Sabratha University, Libya

An Overview of Corporate Governance Practice in Companies Listed on the Libyan stock Exchange

The corporate governance concept has recently become a major issue in the corporate practices of developed and developing countries alike. Corporate governance is considered to be tremendously important topic in many countries around the world, and specifically within the emerging stock markets in order to protect the minority of shareholders. The aim of this research is to investigate corporate governance practice in companies listed on the Libyan stock exchange. In particular, to investigate whether corporate governance practices in these companies meet international standards of corporate governance and the main obstacles to implementing them.

The concept of corporate governance, corporate governance practices in developing countries and the Libyan stock exchange will be discussed**.**

A critical analysis will be made of the laws and regulations that related to the practice of corporate governance in Libya. Moreover, comparative methodology will be used to achieve the objective of this study. Lastly, possible reform will be suggested to establish a sound corporate governance system in Libya that will ensure the proper protection of local and foreign investors

Viktor Arity
Associate Lecturer, RMIT University, Australia
Gillian Vesty
Associate Professor, RMIT University, Australia
Albie Brooks
Associate Professor, The University of Melbourne, Australia
&
Michael Taouk
Managing Director, YML Group, Australia

Designing Serious Games for Accounting Education

The idea of serious gaming in accounting education is a relatively new but exciting concept that has the potential to revolutionise classroom delivery. This paper is designed to provide insights into the role of "serious games" [serious as in education; games as in fun] in accounting education. In the new digital era, this paper provides practical insights for accounting educators who consider they are novice when it comes to serious game designs. We draw on our experiences in game development, the steps taken and the kind of coordination required to ensure the digital game design aligns with desired pedagogy, learning and assessment authenticity. We also aim to engage the academic users of the game in a critique of the underlying model and associated learning outcomes.

Serious games are considered highly potential in providing students with enriched learning experiences. Not only because they are engaging for students and instructors, they also provide a safe way to experiment with learning while achieving higher cognitive gains (Lamb et al., 2018). They have been proven useful in business as well as other domains such as health, engineering and science (Subhash and Cudney, 2018) increasingly used by companies for simulation and virtual environment-based training (Routledge, 2016). Nevertheless, despite the specialised technical training and social skill development that serious games offer, they are not well integrated in accounting education.

Serious games design generally follows a series of rules that match carefully constructed business, or other contextualised scenarios. The learning outcomes link with different gamified scenarios and are presented as individually hypothesised and modelled 'what-ifs'. The hypothesised relationships are tested and challenged by the students and operate according to the laws of learning (Arnab et al. 2015). Importantly, the non-linearity embedded in serious games designs contributes to their reusability (Routledge, 2016). Serious games are generally designed to be played several times and enable the student to get better each time they play. In addition, they can be used to complement other forms of learning,

shifting away from reading and memorising concepts, to immersing with the concept.

With the ever-increasing popularity of serious games in education, and to date, sparse contributions from the accounting academe, we aim to contribute to the emerging literature with empirical evidence of the design and use of serious games in accounting education. We provide details of the effectiveness of the design features by developing and using a serious game in accounting education. We consider the background research and emerging philosophy that guides this new technological development and demonstrate how game and instructional design methodologies combine to bring to life the accounting concepts and topics that form part of the traditional curriculum. We then use our strategic budgeting serious game (Lucro Island) to demonstrate how we use game design principles to connect with accounting's learning pedagogy in game development.

Kiran Baldavoo
Senior Lecturer, University of KwaZulu-Natal, South Africa
&
Mishelle Doorasamy
Lecturer, University of KwaZulu-Natal, South Africa

Environmental Management Accounting Practices and Policies within the Higher Education Sector: An Exploratory Study of the University of KwaZulu-Natal (UKZN)

Universities have a role to play in the preservation of the environment and the study attempted to evaluate the environmental management accounting processes at UKZN. UKZN, a South African university generates the same direct and indirect environmental impacts as the higher education sector worldwide. This is significant within the context of the South African environment which is constantly plagued by having to effectively manage the already scarce resources of water and energy, evident through imposition of water and energy restrictions over the recent years.

The study's aim is to increase awareness of having a structured approach to environmental management, in order to achieve the strategic environmental goals of the university. The research studied the experiences of key managers within UKZN, with the purpose of exploring the potential factors which influence the decision to adopt and apply EMA within the higher education sector. The study comprised two objectives, namely understanding the current state of accounting practices for managing major environmental costs and identifying factors influencing EMA adoption within the university. The study adopted a case study approach, comprising semi-structured interviews of key personnel involved in Management Accounting, Environmental Management and Academic Schools within the university. Content analysis was performed on the transcribed interview data. A Theoretical framework derived from literature was adopted to guide data collection and focus the study. Contingency and institutional theory was the resultant basis of the derived framework.

The findings of the first objective revealed that there was a distinct lack of EMA utilization within the university. There was no distinct policy on EMA, resulting in minimal environmental cost information being brought to the attention of senior management. The university embraced the principles of environmental sustainability however efforts to improve internal environmental accountability primarily from an accounting perspective was absent.

The findings of the second objective revealed that five key barriers contributed to the lack of EMA utilization within the university. The

barriers being attitudinal, informational, institutional, technological, and lack of incentives (financial). The results and findings of this study supported the use and application of EMA, within the higher educational sector. Participants concurred that EMA was underutilized and if implemented would realize significant benefits for both the university and environment.

Environmental management accounting is being widely acknowledged as a key management tool that can facilitate improved financial and environmental performance via the concept of enhanced environmental accountability. Historically research has been concentrated primarily on the manufacturing industry, due to it generating the greatest proportion of environmental impacts. Service industries are also an integral component of environmental management as they contribute significant environmental impacts, both direct and indirect. Educational institutions such as universities form part of the service sector and directly impact on the environment through the consumption of paper, energy and water and solid waste generated, with the associated demands.

Vahid Biglari
Lecturer, Newcastle University in Singapore, Singapore
&
Zahra Pourabedin
University of Reading Malaysia, Malaysia

Human Resources Accounting: Challenges and Opportunities

In recent decades, there have been a lot of efforts to improve the measurement models of human resource accounting. However, these models have failed to be used in practice. This study reviews human resource accounting valuation models to identify the restrictions in use of these models. Finally this paper provides implications for human resource managers to improve the application of human resource accounting models.

Xavier Bredart
Research and Teaching Associate, University of Mons, Belgium

The Impact of the Subprime Crisis on Corporate Governance

The aim of this article is to analyze the evolution of corporate governance of French quoted firms (on the index SBF120) following the subprime crisis. In this perspective, we analyzed corporate governance of those firms between 2000 and 2015. As the subprime crisis happened around 2008, we compared corporate governance of French quoted firms on the index SBF120 during the period 200-2006 with corporate governance of French quoted firms on the index SBF120 during the period 2009-2015. Using both parametric and non-parametric methodologies, we statistically compare the values of several corporate governance variables before and after the subprime crisis. Our results report that an evolution is registered between the two periods.

Sophia Brink
Lecturer, Stellenbosch University, South Africa

An Accounting Model for Credit Card Rewards Programmes: A Multi-Phase Grounded Theory Mixed Method Explanatory Study

Credit card rewards programmes are a common phenomenon in the financial services industry. The International Accounting Standards Board (IASB) and the United States Financial Accounting Standards Board (FASB) issued IFRS 15 *Revenue from Contracts with Customers* that is effective for annual reporting periods beginning on or after 1 January 2018. IFRS 15 will replace IFRIC 13 *Customer Loyalty Programmes*. Currently there is uncertainty whether or not a credit card rewards programme transaction fall within the scope of IFRS 15. Despite concerns raised the Boards decided against providing any additional guidance to credit card rewards programs and indicated that they leave it up to management's judgement to determine how to account for these transactions. The main objective of the research is to develop a framework / model embedded in accounting theory and to recommend a best practice to industry for the accounting treatment of credit card rewards programme transactions post IFRS 15. The research could address a gap in the guidelines provided by International Financial Reporting Standards and, in doing so, eliminate current uncertainty that may further lead to *faithful consistent* accounting treatment of award credits in a credit card rewards programme transaction.

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&
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The Association between Activity Based Costing and Performance: Empirical Evidence from Moroccan Companies

The purpose of our article is to evaluate the consequences of adopting ABC on companie's performance. Using survey methodology on Moroccan companies, the results indicate that, overall, companies that have adopted ABC have been able to significantly improve their performance. Indeed, its adoption has a positive effect that more important than the traditional method on the non-financial performance of companies. However, a direct relationship between ABC and financial performance has not been confirmed.

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The Importance of Tail Risk in Predicting Financial Distress of Firms

Considering the declining number of bankruptcy filings, and increasing out-of-court negotiations and debt reorganizations, we argue in favour of penalizing firms for becoming sufficiently close to bankruptcy that they have questionable going-concern status. Thus, we propose a definition of financial distress contingent upon firms' earnings, financial expenses, market value and operating cash flow. Subsequently, we investigate the role of tail risk measures (Value-at-risk and Expected Shortfall) in aggravating likelihood of financial distress. Our results show that longer horizon (three- and five-year) tail risk measures contributes positively toward firms' likelihood of entering financial distress.

Xu Cheng
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The Effects of Financial Statements Classification and Placement on Investor Decision Making

This study examines whether the classification and placement of the same item affect investor decision making. More specifically, this study investigates the effects of the placement and the classification of a major casualty loss account in income statement on investor decision making. Policy makers, financial analysts, investors, auditors and accounting researchers have each expressed concerns about the complexity of financial statements (Glassman 2006; Smith and Taffler 1992). In an effort to simplify financial statements presentation, the Financial Accounting Standards Board (FASB) issued an Accounting Standards Update (ASU) that eliminates the concept of extraordinary items at the beginning of 2015. The board believes that the update will not result in a loss of information because it would eliminate the requirements for reporting entities to consider whether an event or transaction is extraordinary, while the presentation and disclosure guidance for items that are unusual in nature or infrequently occurring would be retained. However, it is an empirical question—whether the eliminating the concept of extraordinary items will result in different investment judgment. This study uses the concept of extraordinary item to investigate whether the income statement classification and presentation of the same item affects the investment judgments.

This study employs a 2×2 between-participants experimental design. The factors manipulated were (1) the placement of a major casualty loss and (2) the classification of a major casualty loss. The placement of a major casualty loss was manipulated at two levels: above-line placement or below-line placement. In the above-line placement condition, a major casualty loss was reported before income from continuing operations. In the below-line placement, a major casualty loss was reported after income from continuing operations. The classification of a major casualty loss was also manipulated at two levels: an extraordinary item, or an unusual and infrequent item. The results were generally consistent with the expectations. First, the influence of the classification of an item on investor decision making is bigger when that item is placed below-line than when it is placed above-line. Second, when a major casualty loss is placed above-line, investor decision making will not differ when the item is classified as an extraordinary item and when it is classified as an unusual and infrequent item. Third, when a major casualty loss is placed below-line, investors make more favorable investment decision when the item is classified as an extraordinary item than when the item is classified as an

unusual and infrequent item. The results of this study suggest that investors rely on the classification and placement of accounts to evaluate and interpret the financial information and to make investment decisions.

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Distress Risk Puzzle and Analyst Forecast Optimism

This study investigates if analyst forecast optimism provides some explanations to the Distress Risk Puzzle: the phenomenon that high distress risk firms deliver anomalously low subsequent returns.

There is general consensus in literature that financial analysts make optimistic forecasts: they tend to underreact to negative but overreact to positive information (Easterwood and Nutt, 1999). In this study, we invoke this reasoning to provide an explanation for distress risk puzzle, the phenomenon that high distress risk firms deliver anomalously low subsequent returns. We find that analysts underreact to the status quo of high distress risk firms and overreact to some of those firms' apparently good performance, and thus make forecasts that are generally more optimistic than those for low distress risk firms. Because the market responds to analyst forecasts, investors initially overvalue the high distress risk firms; later on, when distressed firms report less than expected performance, analysts revise their forecasts downwards and then cause the high distress risk firms to earn low future returns.

Our paper contributes to the analyst forecast and finance literature. Although evidence indicates that analysts underreact to the negative information of firms, it is not clear if this relation exists for firms with high distress risk. This study will first provide such evidence. That is our first research question, asking if analysts make forecasts that are more optimistic (or less pessimistic) for high distress risk firms than those for low distress risk firms. Second, prior studies explore factors that explain the cross-sectional variations in forecast revisions and the associated market responses. For instance, Gleason and Lee (2003) document that more innovative forecast revisions will trigger more prolonged post-revision price drifts. However, little is known about how distress risk levels affect the magnitudes of subsequent forecast revisions and the associated price drifts. Because analysts are expected making initially forecasts that are more optimistic for high distress risk firms, the downward forecast revisions, and post-revision price movements should be more pronounced.

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Multidimensional Management of Accounting Information in ERP (Enterprise Recourses Planning) Systems

This study aims to highlight the importance of improving ERP systems by concatenating the multitude of **accounting** data and information they are managing in a module or a synthetic informational series able to accurately identify and characterize the user's area of interest from source to final form.

Accounting Information management in ERP systems is achieved at highly superior standards in comparison to semi-automatic or manual management. In these systems the information is transformed from a fact detection passive instrument into an active instrument meant to control and adjust the managed system.

Computerized **accounting** information management becomes a science of informational dosage which must ensure an optimum ratio between over-information and lack of essential information, between information and disinformation, as well as between useful information and useless information. This can only be achieved by optimizing the information attributes related to identifying and characterizing the objects, transactions and events, data management and reporting structures.

ERP information systems allow the possibility of creating multiple information structures related to objects, transactions and events. These information structures may be of type 1-n-m or type x-n-m. In order to obtain this type of information one should ensure a better horizontal and vertical integration of the ERP system components. Through this study we are trying to bring into question the possibility of multidimensional information on objects, transactions and events managed by ERP systems, especially in **digital accounting.**

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Big 4 Office Political Connections and Client Restatements

Using a hand-collected dataset of Big 4 employee PAC contributions targeting politicians responsible for overseeing the audit industry, we examine the relation between auditors' political connections and client restatements at the audit office level. We find that client firms of politically connected auditors are less likely to restate their earnings and this negative relation is more pronounced when the auditors face higher litigation risk exposure. Further analyses reveal that the lower likelihood of client restatements is unlikely to be driven by lower enforcement for auditors with political ties. Our results, robust to identification concerns and alternative measures of audit quality, suggest that auditors with significant political investments have greater incentives to avoid audit failures and maintain credibility in their lobbying effort.

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The Effect of Fair Value Accounting on Dividend Policy. The Case of Financial Service Sector in South Africa

Background: In 2001, the International Financial Reporting Standards introduced a new method of reporting changes in financial instrument (Chea, 2011). More specifically, these financial instruments should be recorded in the balance sheet at the current market price and changes to this market price be recognised in the profit and loss account (Ebling, 2001). In other words, financial instructions should be reported at fair values.

Fair value accounting has gained recent recognition in accounting standards due to the criticism of conventional historical cost accounting principle. Regulators have actively promoted fair value principles due to its perceived ability to report balance sheet figures that are timely, accurately and comparably report than historical principle (Kochiyama, 2011). Considering that the balance sheet amounts are reported on an on-going basis under the fair value principle, it mitigates a firm's ability to manipulate its profit and loses because this gains and losses are reported when they occur (Al-sakina & Al-awawdeh, 2015).

The problem to be investigated in this study is that firms in the financial service sector in South Africa are perceived to be paying out dividend from unrealized profits from fair value revaluation. As a result, dividend payments will have a negative effect on these firms. Notwithstanding the relevance of fair value accounting to increase relevance necessary for decision making, the appear to be a link between unrealised profits resulting from fair value revaluation and the dividend policy of financial service firms in South Africa.

AIM: The main research question that this study seeks to answer is that; Do firms in the financial service sector in South Africa pay dividends from unrealised profits?

Methodology: Considering the nature of research question and hypothesis, this study will adopt a positivist paradigm which is deemed to be quantitative in nature. To address the research question, this study adopted a univariate and multivariate test proposed by Linter (1956). In this module, Linter (1956) proposed a target adjusted formula which analysis how dividend changes over time with respect to its earnings. This model was used to test if there is a correlation between unrealised gains which are as a result of fair value and dividend policies.

This study which investigates the effect of fair value accounting on dividend policy is relevant because it provides valuable insights to shareholder as they will be made aware of the source of the dividend

which they receive. With this awareness, shareholders will be able to appropriately value firms that are able to manage their cash flows. This report can benefit firms in the financial service sector to better appreciate the link between financial and non-financial performance which will enable them to prove their long-term

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The Impact of Attitude towards Socially Responsible Investment (SRI) on the Investment Decision-making of Young Investors

Traditional finance theory assumes that investors are rational and make decisions based on all available information. However, based on research conducted within the field of psychology, it becomes clear that individuals do not always make optimal decisions. Behavioral finance theory attempts to improve on some of the perceived limitations of traditional finance theory by developing models of human behavior during the process of decision-making. Since behavior and decision-making are significantly influenced by attitude, it is suggested that individuals' attitudes towards investment could affect their investment decisions. Although the socially responsible investment (SRI) industry experienced substantial growth globally, the psychological aspects that play a role during the decision-making of individual investors when considering SRI are still under-developed. Therefore, this study investigated the impact of investors' attitude towards SRI during their investment decision-making process. More specifically, the primary objective of this study was to determine the effect of young investors' attitudes toward SRI on their decisions to invest in firms operating in different industries.

Primary research was conducted by means of an online questionnaire. A sample of 1 580 students enrolled at a South African university was considered, and the focus was placed on firms listed on the Mining, Consumer Goods and Financial Services sectors of the Johannesburg Stock Exchange (JSE). The first part of the questionnaire used a sample survey design to measure the attitude of respondents towards SRI., while the second part was in the form of a combined survey and experiment design, employing a factorial survey design to test the impact respondents' SRI attitudes had on their investment decision-making. Results indicated a relatively high overall positive attitude amongst respondents towards SRI. A strong positive relationship between respondents' SRI attitude scores and their preference to invest in the Consumer Goods sector was observed. Assessing the influence of their SRI attitude towards the Financial Services sector revealed that respondents were only moderately prepared to invest in this sector, while they appeared unwilling to invest in firms operating in the Mining sector. When considering the individual

dimensions included as part of the overall SRI attitude score, these results could be explained by the relatively large contributions by the human rights and corruption dimensions. It is therefore important for listed firms operating in these sectors to address corporate social responsibility concerns, especially regarding human rights and corruption in the workplace.

The study furthermore revealed that the affective component of attitude appears to have the greatest impact on respondents' investment decision-making processes, exceeding the impact associated with the behavioral and cognitive components. Based on this result, it is recommended that firms should increase their focus on promoting their corporate image in terms of their corporate logo and related marketing activities, since familiarity seems to play an important role during the investment decision-making process of young investors. Overall, it was concluded that the attitude towards SRI amongst young investors appear to influence their investment decision-making.

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SMEs' Financial Risks in Supply Chain Trade with Large Companies: The Case of Italian Automotive Industry

To become supplier to large companies is traditionally considered performing for small medium enterprises' (SMEs) competitiveness. The small businesses can take advantage of tapping into a large commercial supply chain and subcontracting with large companies by improving their scale efficiency and productivity, technological and managerial abilities, product and process innovation, as well as market positioning and reputation.

However, not everything is convenient per se. Subcontracting to large companies could provide some weaknesses that need to be considered by SMEs in order to join the supply chain of larger companies and better support the challenge of playing with the market top players. On the one hand, some studies have highlighted the risks connected to an excessive exposition due to strict linkages with large customers. On the other hand, financial issues related to commercial credits management and investments rigidity are not adequately explored yet. This paper attempts to point out some contrasting financial performance by exploring a sample of small Italian manufacturing firms and comparing traditional firms and local suppliers to large companies of automotive industry. The key point of this research is to compare two sample of industries (same industry sector) that work and don't work with the automotive supply chain: we've discovered that being supplier to large companies lead to better performance in terms of profitability, nevertheless, rise up some several issue related to cash-flow management since there are significant differences in ratios related to the working capital and these differences have an impact on the operating cash flow. To sum up, there is a well-known literature about the advantages for SMEs that works with big industries in terms of technological development and profitability. Furthermore, subcontracting increase employment rate and, overall, foster economic development for a country. Nevertheless entrepreneurs should be aware that they are also taking some financial risks when they decide to be suppliers of big company and consequently, decide to be part of an important supply chain.

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Management Structure in the Performance of Polish Mutual Funds: Does Team Spirit Matter?

This paper focuses on finding answers to two questions. The first one asks if there are any significant differences in performance between solo-managed and team-managed funds. The second one is supposed to establish whether a management structure can be treated as a determinant of returns generated by mutual funds operating in Poland. The study was conducted on the basis of 835 annual observations, 388 of which concerned solo-managed funds and 447 – team-managed funds, in the period 2000-2017. The returns were calculated by means of a few popular measures of abnormal returns regarding the stock picking ability of fund managers. The methodological procedure consisted of four research tools which ensured a greater certainty of the statistical inference. The findings show that there are insignificant discrepancies in the performance of funds characterized by a different number of managers, yet they are noticeable in very few annual periods. The results obtained as an effect of determining the influence of a management structure on performance are statistically insignificant, which means that the examined variable is not a determinant of performance, at least as far as Polish circumstances are concerned.

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Financial Statement Fraud Detection using Financial and Textual Data

The reliable identification of fraudulent financial statements based on publically available data allows allocating audit resources more effectively and improve market efficiency considerably. This paper examines how quantitative data (financials) and corporate narratives can be used to identify accounting fraud. Accounting fraud is determined based on SEC's AAERs. Narratives are analyzed using multi-word phrases, including extensive language standardization that allows reflecting narrative peculiarities more precisely and partly addresses context. In addition to previous studies, we illustrate how changes to sampling affect detection rates and present evidence on varying detection quality over a 15-year period. Our results suggest that predictors from textual data are superior to financial ratios across all sampling variations. Moreover, we found text based predictors to vary considerably over time and show the importance for fraud detection approaches to update predictors frequently. The best detection results were delivered by combining textual and financial predictors, achieving an AUC value of 0.936. The study is carried out using an extensive range of detection models and controls to ensure the valid identification of fraudulent cases. Altogether, reliable automated fraud detection systems may help regulators and policy makers to allocate resources on in-depth audits of high-risk statements.

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Developing a Planning Framework at a Strategic Level for Internal Auditors which Integrates Continuous Auditing Procedures

With the rapid changes in technology, the modern day business landscape is exposed to new and emerging risks almost on a daily basis. It is, therefore, also required of the internal auditor to evolve at the same rapid pace as the organisations they serve.

Historically, internal audit functions provided retrospective assurance, by performing periodic tests, long after the occurrence of the actual event. However, this delay in testing, can result in critical errors or fraudulent activities being detected too late.

A possible solution to these 'late' and often inefficient auditing techniques, is *continuous auditing*:

Continuous auditing is defined as an audit methodology which enables the internal auditor to constantly gather audit evidence through ongoing risk and control assessments enabled by technology.

This modern – day technique could assist internal audit functions to provide ongoing and timely assurance to governing bodies by timeously responding to the control risks identified. Although this technique could benefit the internal auditor immensely, industry studies reveal that internal auditors are not yet leveraging the full benefits of continuous auditing techniques in their audit procedures.

The Fourth King Report on Corporate Governance in South Africa (King IV) also requires governing bodies to consider obtaining independent assurance on the effectiveness of technology and information arrangements. It is also the duty of the governing body to exercise ongoing oversight over the management of information. King IV does, however, not provide further guidance on these matters, which leaves the internal auditor in a further predicament of not knowing where to find the necessary guidance, knowledge or skills to implement these requirements.

In this research study, *continuous auditing* is explored as a potential solution to assist internal audit functions to provide *continuous assurance* to governing bodies as part of the *combined assurance model*.

King IV describes *combined assurance* as a model which incorporates and optimises all assurance services to holistically enable an effective control environment and ensure the integrity of information and reports. Assurance providers include external as well as internal service providers.

The internal service providers listed by King IV consists of the *operational* (first line of defence), *managerial* (second line of defence) and the *internal auditors* (the independent third line of defence.)

Continuous assurance is therefore a combined approach, which incorporates the efforts of these three lines of defences, where internal audit performs continuous auditing procedures and testing of the continuous monitoring activities performed by the first and second lines of defence.

This research proposes to develop an audit planning framework, which integrates the continuous auditing approach for automated controls into the strategic level of the internal audit planning process.

This approach will assist the internal auditor to provide ongoing assurance in a cost effective manner, while increasing audit efficiency and audit coverage when compared to traditional auditing techniques. It could also enable the detection of material errors, omissions and irregular instances in a timelier manner.

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A Critical Analysis of Whether the Supply of Electronic Knowledge Databases by a Non-Resident Supplier Falls within the Meaning and Ambit of 'Educational Services': A South African VAT Perspective

The digital economy has changed the landscape of the business world and consequently the collection of taxes by tax authorities. Cross border trade of goods and services via online platforms has become more accessible to consumers. The importation of goods into South Africa does not escape the value-added tax (VAT) levied upon importation in terms of section 7(1)(b) of the Value-Added Tax Act No. 89 of 1991, as the goods have to enter the country through a port of entry. The supply of electronic services by non-resident suppliers is more onerous to identify and therefore effortlessly escapes the VAT net. The VAT system of South Africa has no place of supply rules, but the VAT system follows the destination principle of VAT, therefore VAT is levied on the consumption of goods or services.

With effect of 1 June 2014, VAT is levied on the supply of electronic services in South Africa provided by non-resident suppliers. Non-resident suppliers of electronic services are required to register for VAT in South Africa if certain requirements are met. South Africa was one of the first countries to shift the VAT liability to the supplier (despite the supplier being a non-resident).

The definition of 'electronic services' is prescribed in a regulation published by the National Treasury of South Africa and has changed several times since the effective date of 1 June 2014. The regulation currently defines electronic services as 'any service supplied by means of an electronic agent, electronic communication or the internet for any consideration'. The definition makes reference to the Electronic Communications and Transactions Act No. 25 of 2002. One of the services excluded from the definition of electronic services, is educational services supplied from an export country and regulated by an educational authority. The terms 'educational services' and 'educational authority' are not defined in the published regulation and no definition of these terms are present in the Value-Added Tax Act No. 89 of 1991.

Electronic libraries are provided by educational institutions to staff and students to use for research purposes. These electronic libraries comprises (amongst other) the supply of electronic knowledge databases by non-resident suppliers. The non-resident suppliers can be large publishing houses (effectively linked to educational institutions) or educational institutions. The objectives of this paper are two-fold; to

investigate whether the supply of the electronic databases by non-resident suppliers qualify as educational services and to investigate whether non-resident publishing houses (effectively linked to educational institutions) qualify as educational authorities. In order to meet this objective, South African and international literature will be investigated to determine the meaning and ambit of educational services and educational authority.

The findings of this paper will include whether non-resident publishing houses and educational institutions fall within the ambit of 'educational authority' and whether the electronic knowledge databases provided by these non-resident suppliers are 'educational services' as intended.

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Religiosity Level Analysis of Understanding of Sharia Accounting Concept and its Implementation of Sharia Accounting Tandards in Islamic Financial Entities in Indonesia

Islam is a complete religion and also basically provides guidance for humanity both in worship life and in the worship. Included in this case are in terms of economics and accounting, including in this case is sharia accounting. This study seeks to explore whether there is a relationship between the level of religiosity of an accountant in a sharia entity with the implementation of a sharia accounting concept that should be applied in a sharia entity. This study uses a questionnaire method to obtain the required data. From the results obtained, it can be seen that the level of religiosity of the accountants in 2 sharia entities that answered the questionnaire is good, but also there are can not answer the question whether there is a relationship between religiosity and the application of the concept of sharia accounting in sharia entities.

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&
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Flight from Liquidity and Corporate Bond Return

In distress periods, liquidity constrained investors sell liquid corporate bonds and hold onto illiquid ones, a phenomenon which we refer to as flight from liquidity. Performing within issuer-time analysis to properly control for (changes in) credit risk, we find that flight from liquidity results in a decline in the liquidity premium and in a temporary underperformance of liquid corporate bonds during distress periods. We provide some evidence that the liquidity clientèle effect can explain these results. Our findings suggest that holding credit risk fixed, liquid bonds do not provide safety during the time it is most needed.

Roger Hussey
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Misperceptions of First-Year Business Students

The factors influencing students' success or otherwise in university or college business courses have attracted the attention of many researchers. This study of 40 university students in the first six weeks of a Year 1 introductory financial accounting course contributes to the debate by ascertaining whether there is a potential relationship between study behaviour of students and feedback on their examination performance.

There are several courses offered each week to students on this subject and we chose an evening course which had 45 students enrolled. A self-completion questionnaire was used to identify students studying habits. The results show that the range of hours spent each week in personal study is from less than I hour to more than 7 hours per week. Attendance at classes also varied from one class per semester to every class. The students were also asked to forecast the grade that they would achieve in the mid-term examinations that were to be held a few days after the distribution of the questionnaire.

A second, shorter questionnaire was distributed following the announcement of the mid-term examination results. The release of the midterm examination results led to a statistically significant increase in the number of students claiming to spend more time studying. Although the mid-term examination results influenced the studying behaviour of some students, it did little to influence their predictions of the grades that they would achieve in the final examinations. It would seem that frequent feedback to students of their progress may increase the study time spent by some students. The feedback, however, may not influence their prediction of the grade they expect in the final examinations.

John Kallianiotis
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Are the Single Mandate of the ECB and the Dual of the Fed Maximizing the Social Welfare?

In this paper we deal with the recent (2008-2018) European Central Bank (ECB) and the U.S. Federal Reserve (Fed) operated monetary policies, which are two unprecedented and distinct monetary policy regimes. The Zero Interest Rate Regime (2008:12-2015:11) and the New Regime (2015:12-present). These different monetary policy regimes provided different outcomes for inflation, interest rates, financial markets, personal consumption, personal savings, real economic growth, and social welfare. Some of the important results are that monetary policy appears to be able to affect long-term real interest rates, risk, the prices of the financial assets, and very little the real personal consumption, personal savings, and the real economic growth during the recent period of extreme monetary policy, in which the Fed held short-term interest rates abnormally low for an extended period (2008-2015) and the present time. The Fed's interest rate target was set during these seven years at 0% to 0.25%. On December 16, 2015, the Fed started increasing the target rate from 0.25% to 0.50% and presently to 2.25%. The ECB started very late its easy money policy and caused enormous problems to the Euro-zone member-nations, due to lack of liquidity and the imposition capital controls on some countries. We want to explain the low level of long-term interest rates and the real rate of interest (cost of capital). The evidence suggests that it is the Fed's quantitative easing the main cause of the low (negative) real interest rate following the 2007-2008 financial crisis. These monetary policies were not very effective (especially, the austerities of the ECB). These policies have created a new bubble in the financial market, future inflation, and a redistribution of wealth from risk-averse savers to banks and risk-taker speculators. In addition, they have increased the risk (RP) by making the real risk-free rate of interest negative. The effects on growth, prices, and employment were gradual and very small, due to the European common policy and currency, the outsourcing, and the unfair trade policies, which have affected negatively the social welfare.

Jai Kang
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Risk-Integrated Financial Analysis of a Firm's Strategic Fixed-Cost Spending

A firm's fixed-cost, as opposed to variable-cost, spending only creates the firm's exposure to operating loss. This paper explores the quantitative dimensions of both the operating risk and profitability of a firm's fixed-cost spending. My findings are: (1) a firm's ratio of total fixed cost [TFC] to its total contribution margin [TCM] represents the firm's degree of operating loss exposure [DOLE] to uncertain economic swings, which is a direct measure of operating risk; (2) the same firm's ratio of profit [P] to TFC represents the rate of profit return on the firm's total fixed cost; (3) the computed profit-to-risk gap can indicate the degree of financial sustainability [if zero or positive]of the firm's strategic fixed-cost spending initiatives. The DOLE and P/TFC rates of financially sustainable firms are expected to be in their long-term equilibrium at 0.618033956. In decisions and evaluations involving strategic fixed-cost spending initiatives, the equilibrium rate may be used as the minimum required profitability on the relevant fixed costs, and the maximum allowed risk. This paper demonstrates a useful application of this risk-integrated framework in a comparative sustainability analysis of two firms in the pharmaceutical industry.

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Ioannis Oikonomou
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&
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SRI Labels and ESG Values: A Comparative Analysis of Investment Funds in Two Dimensions

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&
Yimin Zhang
Dean Emeritus, University of Shanghai for Science and Technology, Shanghai, China

China's Reforms and Inequalities

China's economy has been in transition for the past 40 years. Although the transition has helped the country's economy become one of the largest in the world, it has also contributed to a number of serious challenges. One of these challenges is represented by regional inequality. The study examines the state of China's regional development and analyzes the causes of its inequalities. Policy recommendations are also presented.

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The Effects of Collateral Shocks in the Context of Capital and Labour Dynamics

The recent financial crisis was associated with a large and prolonged deterioration to the collateral value and a depression the economic outcomes such as investment, employment and output. I calibrate a model to explore the impact of collateral shocks as well as productivity shocks on the firms' real and financial behaviour. I find that a negative shock to the collateral value, by tightening the borrowing capacity, leads to a steep decline and a subdued recovery of corporate activities with the real business conditions (productivity-driven) unaffected. Nonetheless, the impact of the collateral shock subsides when it coincides with a slowdown in the productivity. The reduction of labour adjustment costs causes investment and employment growth to decline more (less) aggressively with the negative productivity shock (collateral shock) and fares better for the small firms. The negative impact from the collateral shock is substantially tempered with a flexible wage contract.

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Ivan Stetsyuk
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Do Hedged Mutual Funds Extract Value from the Capital Markets?

According to the value-added paradigm in mutual funds research, net alphas represent byproducts of market inefficiency and should disappear once additional dollars flow into the outperforming funds; gross alphas, on the other hand, should persist to a degree exactly offset by the fee structure, since investors will chase superior management talent until no further net alphas remain. This paper examines the extent that this paradigm has held with respect to one of the more remarkable previously described instances of mutual fund outperformance, that of so-called 'hedged' mutual funds that mimic strategies more commonly associated with hedge funds, which in previous research (Agarwal, Boyson, Naik, 2009) were shown to beat conventional mutual funds by as much as 4.8% annually after fees. We document that substantial funds have flowed into the space subsequent to the initial documentation of outperformance, but, somewhat contrary to the theory, we find that overall hedged mutual funds have destroyed value rather than created it. On the other hand, consistent with the results of Berk and Binsbergen (2015), we find clear evidence of persistent ability among some hedged mutual funds to generate value-added.

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The Effects of Non Profit Organizational Factors on the Sensitivity of Donations to Fundraising Expenditures

We provide initial evidence on the effects that nonprofit organizational (NPO) characteristics have on the sensitivity of donations to fundraising expenditures. Using a model of donations from the literature, which controls for various factors, we test the following characteristics: age, size, reliance on direct donations, reliance on governmental support and level of fundraising expenditures and find all factors to have a significant positive effect on the sensitivity of donations to level of fundraising expenditures. Our results may be useful to NPO management in assessing the impact of fundraising expenditures on donations.

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IPO Performance and Stochastic Dominance

Prior literature documents long-run underperformance for initial public offering (IPO) firms, on average, or for subsets of IPO firms, after accounting for their venture capital (VC) backing or lending relationships. However, the standard mean-variance models for performance evaluation may not be well suited for IPOs, as their returns tend to exhibit higher order moments, such as skewness and kurtosis, beyond the assumptions of normal distribution -- for example, many IPOs fail, but some turn out to be “home runs” or “stars.” We use a stochastic dominance approach to re-examine the performance of IPO firms. The stochastic dominance approach imposes a minimal set of conditions on investors’ preferences (such as preference for skewness, especially by entrepreneurial capitalists, and/or an aversion to kurtosis). We use a comprehensive sample of more than 6,000 IPOs in the U.S. from 1980 to 2012, and account for their VC backing, the quality of the VCs, and lender backing. We compare the IPO performance relative to matched beta, size, book-to-market, and momentum portfolios. Our results indicate that in some of the cases the previously documented underperformance goes away when examined under measures of stochastic dominance, while some of the prior results are confirmed. For example, we confirm that IPOs underperform the market (as measured by S&P 500 or CRSP value-weighted and equal-weighted portfolios). However, we find little evidence that IPOs underperform the size or book-to-market matched portfolios.

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Idiosyncratic Risk. How important is it?

The question as to whether in reality investors do fully diversify has led to a number of empirical studies examining the impact of idiosyncratic risk on returns. A number of studies produced evidence of a puzzling negative relationship between idiosyncratic risk and returns, puzzling given that theory would tend to suggest either no relationship, in situations where investors can fully diversify or a positive relationship in situations where investors cannot fully diversify and thus require compensation for such risk, an idiosyncratic risk premium. This paper examines the role played by idiosyncratic in explaining security returns. Time-varying idiosyncratic risk is estimated and then examined conditionally based upon the market state, namely up markets and down markets to determine what is, if any, the risk-return relationship. Thus conditionality is applied to the estimation of risk measurements and to the testing of its significance. Do investors fail to diversify sufficiently and thus require compensation for idiosyncratic risk? Does examining idiosyncratic risk conditionally upon the market state provide some explanation of the idiosyncratic risk puzzle, and in turn provide further information with respect to the role this risk measurement plays, and to the behavior of investors with respect to the investments they make during bullish and bearish markets? This paper attempts to answer these questions.

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Factors Affecting Students' Performance in First-year Accounting

Many studies have examined the different aspects influencing student performance in introductory financial accounting. As an extension of the research boundaries, we conducted a study of a first semester introductory financial accounting course in a Canadian University. The research was conducted in the eighth week of the course which was after the midterm examinations. At the date of the survey, the students had received their midterm grade. The University research protocol does not permit research studies to enquire students' racial background or first language. For the purposes of this study, we identified international students as those students who attended high school outside of Canada.

Our first hypothesis was that students who had previously studied accounting would perform better in the mid-term examination. Taking the total number of students, there is a statistically significant difference between those students who had previous accounting study and those who did not. However, there was no significant difference in examination performance between Canadian and international students.

Our second hypothesis concerned career intentions. Our results confirmed the findings of prior researchers. Students who expressed an intention to pursue accounting as a career performed significantly better than those who did not. However, there was no statistical difference between Canadian and international students. It had been anticipated, based on the literature, that we would possibly find Canadian students outperforming international students in the examinations. This was not the case but the analysis demonstrates a significant difference between Canadian and international students regarding class attendance. A higher proportion of international students attended most accounting classes compared to Canadian students. The International students were five times more likely to attend classes and this is a possible reason why they perform better than anticipated.

Our final analysis of the time students spent studying concentrates on the time claimed to be spent studying outside of classes. There was a statistical significant difference between hours studied per week between Canadian and international students using 5 hours per week as the threshold. Nearly 40% of the international students claim to spend 5 hours or more per week studying outside of classes compared to 7% of Canadian students.

The research study demonstrates that international students, in the first semester of their study, perform as well as domestic students. The

reasons are not attributable to prior knowledge of accounting or a desire to be an accountant. Our findings indicate that international students performing better than anticipated are due to their studying harder with respect to higher class attendance and more hours spent in private study after classes.

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U.S. Monetary Policy and Sovereign CDS Markets

This paper analyzes the effects of U.S. monetary policy on sovereign credit default swap (CDS) markets in advanced and emerging market economies. The pass-through of expansionary U.S. monetary policy shocks to sovereign CDS markets is strong, especially during the European sovereign debt crisis, the unconventional monetary policy period and among economies with low credit ratings. Our analysis indicates that expansionary U.S. monetary policy leads to significant widening of the sovereign credit spreads and heightening of the CDS market volatility. Our findings suggest that U.S. monetary policy shocks affect the sovereign CDS markets through the international credit risk channel, and is consistent among countries with different levels of capital controls or exchange rate regimes.

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Pension Funds Pooling: Macro-Economic and Social Implications

This paper offers an efficient mechanism aimed to increase the savings of un-unionized employees, like new immigrants or part-time workers. We propose to pool such employees' small and infrequent pension contributions to supervised pension funds. The study is conducted based on Israeli data and examines the impact of defined-contribution pension fund pooling at two levels: the social level, by improving income inequality, and the macro-economic level, by reducing governmental expenditure on support payments. We conclude that the pooling mechanism is expected to raise not only the fraction of savers among employees, but individual savings as well, by reducing management fees. While Israel experienced large immigration waves, most of them found their ways over the years to medium and high income deciles. Therefore, we find that the pooling will particularly help two disadvantaged groups: Arabs and ultra-Orthodox Jews. The pooling is expected to reduce governments' expenditure on support payments to retirees by about 63%. It may act to mitigate social conflicts as the most disadvantaged members in society, un-unionized employees, often part-time and/or immigrant employees, become pension owners.

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Inequality, Credit, and Crises: The Role of Culture

In the three decades preceding the 2007/08 global financial crisis, income inequality grew significantly in many developed economies, causing seemingly arbitrary household credit booms in some countries but not in others. For an international sample of 16 OECD countries for the years 1970 to 2016, we find compelling evidence that the underlying decision to incur debt depends strongly on the degree of long-termism and risk aversion of a society. In the least long-term oriented country, Australia, the rise in household credit in response to an increase in inequality is three times larger than in a country with an average level of long-term orientation. For risk aversion, we find that after an initial increase of one percentage point in income inequality, the increase in the household credit-to-GDP ratio is 1.404% higher in the least risk averse country compared to the most risk averse country. Similarly, in the U.S., states with more long-term oriented and risk averse populations rely less on credit-financed consumption to deal with rising income inequality. We show that these findings are robust across many different specifications and in a quasi-natural experiment setting. Since credit expansions heighten the probability of banking crises, these results contribute to explaining why some countries are more likely to experience banking crises than others.

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Financing Patterns and Performance Outcomes of Women versus Men-Owned Young Entrepreneurial Firms

This study examines and compares characteristics, financing patterns, and performance outcomes of women-owned and men-owned young entrepreneurial firms. Using fully imputed data from the Kauffman Firm Surveys of U.S. start-up firms, we first examine the differences in firm and owner characteristics between women- and men-owned firms at the firm's start-up. Second, we explore the differences in equity and debt financing between the two groups of firms during the first several years of the firm's operations. Third, we explore whether performance outcomes (in terms of survival and growth) of young entrepreneurial firms are different for firms owned by women versus firms owned by men. Our analysis provides longitudinal evidence regarding the differences in performance outcomes between women- and men-owned young entrepreneurial firms.

The main findings of this study can be outlined as follows. We find large and significant differences in the amount of start-up capital (debt and equity), with women-owned firms at a significant disadvantage. These univariate differences persist in our multivariate analysis. We also find that women-owned firms are significantly less likely to use business credit than are men-owned firms. This is important given prior findings that firms using business credit at start-up survive longer and grow faster. Finally, while we find large and significant univariate differences in performance of women-owned vs. men-owned firms, these differences disappear in our multivariate analysis of revenues and survival. However, these differences remain significant for employment.

The issues that we examine in this study have important implications for policymakers, new business owners, and investors. A better understanding of the differences in financing and performance outcomes between women- and men- owned firms should provide policymakers with guidance on how to tailor economic policies to help women-owned young businesses to obtain capital and grow and develop their business ventures.

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The Governance Role of Unions in Improving Investment Efficiency

We focus on the role that unionization can play in influencing firms' corporate investment decisions and its' consequent impact on firm-level operating performance. We document that labor unionization is associated with improvements in managerial investment efficiency and that these unionization effects are generally stronger in bargaining environments that are favorable to unions. Furthermore, we find that union monitoring of overinvestment also has beneficial consequences in that it translates into better future profitability. Our results are robust to different measures of investment efficiency, omitted variables, empirical specifications, and endogeneity of union membership.

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The Mediated Association among Corporate Governance, Agency Conflicts and Financial Performance

In the wake of the recent financial scandals (i.e. Royal bank of Scotland, 2008; Olympus 2012; Tesco, 2014) and the recent warning from the Central bank of England of a potential financial crisis (Inman, 2017), the link between corporate governance and firm financial performance has re-emerged as a topic of interest for academics, researchers and policy makers. A large body of research (i.e. Larcker et al., 2007; Dey, 2008; Veprauskaite and Adams, 2013; Adams and Jiang, 2016) examined the direct relationship between different aspects of corporate governance and financial performance. In the light of the non-unanimous evidence at its best and the different results produced in terms of sign and magnitude across very comparable studies, a natural question arises: does the cause-and-effect relationship between CG and FP is not so straightforward? Is there any another variable that although is clearly mentioned is not pronounced and modelled in an explicit manner? We propose that such variable is the Agency Conflict - a well-celebrated variable and the main reason why the CG mechanisms are constantly being upgraded. Hence, rather than a direct causal relationship between the independent variable and the dependent variable, a mediation model proposes that the independent variable influences the (non-observable) mediator variable, which in turn influences the dependent variable.

However, to the best of our knowledge, there is no previous attempt to, empirically, examine how corporate governance affect financial performance. In other words, previous studies stopped at the point where they found a direct link between different corporate governance factors (e.g. board independence, managerial compensation, monitoring committees and board diversification) and firm financial performance, but they did not answer the question of “how?”.

Identifying the direct and the indirect effect as well as the relative importance of each in the relationship between corporate governance and financial performance contributes to the existing literature by increasing our understanding to the role of corporate governance in affecting firm financial performance. In other words, identifying the direct and the indirect paths between corporate governance and firm financial

performance will help policy makers, as well as different stakeholders, to understand the mechanism by which corporate governance influence firm financial performance.

In this paper, we are testing the indirect path between corporate governance and financial performance, in which the level of agency conflict is a mediator variable that is influenced by corporate governance and that, in turn, influences firm financial performance. Our investigation is motivated by the theoretical debate about whether corporate governance affects firm financial performance through its effect on the level of agency conflicts and by the policy implications of the answer to this question.

Using path analysis, we investigated the direct and the indirect link between corporate governance and firm financial outcomes. The motivation of this paper came from the previous analytical models, which suggested a direct and moderated impact via the level of agency conflict of corporate governance on firm financial outcomes, but no study investigated the indirect link (mediation effect) and which link (direct or indirect) would be more important empirically. We measured corporate governance and level of agency conflicts using confirmatory factor analysis (CFI). Using a large sample of the UK non-financial companies between 1999 and 2014, we found an empirical reliable evidence of the significance of the direct path from corporate governance to financial outcomes and the indirect path that is mediated by the level of agency conflicts. We also found that the direct path is significantly more important than the indirect path. Our results are robust using recursive and non-recursive models.

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South African Tax Consequences of the Disposal and Acquisition of Property by Way of a Lottery

To dispose of a residential property by way of a lottery sounds unusual, but a number of these transactions relating to residential properties in South Africa have recently taken place. Seen that this is not a normal way of disposing of and acquiring residential property in South Africa, it is submitted that it is necessary to explore the South African tax consequences resulting from such a transaction.

The objective of this research is to explore some of the most pertinent South African tax consequences of such a residential property lottery transaction, from the viewpoint of the owner ('seller') who disposes of the residential property and the winner ('purchaser') who acquires the residential property in terms of the lottery.

A non-empirical study, which entails the study of existing literature in a South African income tax environment and the application of the various South African tax provisions to the facts of these lottery transactions, was conducted. A doctrinal research approach was followed within the realm of exploratory research.

The conclusion is reached that disposing of and acquiring residential property by way of a lottery results in a number of actual tax consequences, including a number of tax uncertainties. The possible tax consequences of such a transaction can create tax risks or can result in unintended tax consequences relating to inter alia income tax (including capital gains tax), transfer duty and donations tax. The observations provided from the study do not always result in conclusive answers but some has been identified as possible areas for further research to be conducted. Should residential property lottery transactions occur more frequently in South Africa in future, it is recommended that the South African Revenue Services (SARS) issues clear guidance on the tax treatment from the perspective of the owner and the winner of such a transaction to make sure that any uncertainties are dealt with properly.

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Director Networks and CEO Compensation: The Moderating Effect of Corporate Governance Mechanisms

This study examines the effects of director networks on Chief Executive Officer (CEO) compensation using a sample of UK FTSE 350 firms over a period of 2007 to 2012. We measure director networks using the concept of "centrality" from Social Network Analysis. We examine not only the total remuneration of the CEO but also two important components of the remuneration package, i.e. basic salary, and long-term incentive plans (LTIPs). Overall, we find that well-connected CEOs receive higher total compensation. Although we find a positive relationship between basic salary and CEO networks, we do not find evidence of a relationship between LTIP compensation and CEO networks. This study intends to make several contributions to the existing literature. First, in order to capture different aspects of board networks, we employ four different network measures which represent a more comprehensive approach than previous study. Second, while many studies employ cross-sectional data and only focus on specific industries, we use a panel data and control for the different sectors. Last but not least, we investigate whether the relation between director networks and CEO compensation is moderated by corporate governance mechanisms. Our findings have key implications for policy-makers and regulatory authorities.

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Application of Real Options to Valuation and Decision Making in the Petroleum E&P Industry

This study establishes a risk-neutral binomial lattice method to apply real options theory to valuation and decision making in the petroleum exploration and production ($E\&P$) industry with a specific focus on the switching time from primary to water flooding oil recovery. First, West Texas Intermediate (WTI) historical oil price evolution in the past 25 years is studied and modeled with the geometric Brownian motion (GBM) and one-factor mean reversion price models to capture the oil price uncertainty. Second, to conduct real options evaluation, specific reservoir simulations are designed and oil production profile for primary and water flooding oil recovery for a synthetic onshore oil reservoir is generated using UTCHEM reservoir simulator. Third, a cash flow model from producing the oil reservoir is created under a concessionary fiscal system. Finally, the binomial lattice real options evaluation method is established to value the project with flexibility in the switching time from primary to water flooding oil recovery under uncertain oil prices. The research reaches seven conclusions: 1) for the GBM price model, the assumptions of constant drift rate and constant volatility do not hold for the historical WTI oil price; 2) one-factor mean reversion price model is a better model to fit the historical WTI oil prices than the GBM model; 3) the calibrated long run prices and mean reversion rates for the historical WTI oil prices reveal that the evolution of historical WTI oil prices from January 2, 1986 to May 28, 2010 was according to three price regimes with different long run prices, and that since 2003, the world economy has increased its tolerance to higher oil prices and to the higher price fluctuation from its long run price compared with that from 1986 to 2003; 4) the established real options evaluation method can be used to identify the best time to switch from primary to water flooding oil recovery using stochastic oil prices; 5) with the one-factor mean reversion oil price model and the most updated cost data, the real options evaluation method finds that the water flooding switching time is earlier than that from the

traditional net present value (NPV) optimizing method; 6) the real options

evaluation results reveal that most of time water flooding should start when oil prices are high, and should not start when oil prices are low; and 7) water flooding switching time is sensitive to oil price models and to the investment and operating costs.

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Volatility and Daily Returns of S&P 500 Index

This study examines the relationship between volatility risk and daily returns of the S&P 500 Index. Two types of risk measures– momentum (i.e., volume traded and the volatility index, VIX) and fundamental value (i.e., PE and PB) -- were employed to assess their effects on daily returns. Over the last 15 years, the swing of volatility is found to slightly increase over time as a large resurgence of volatility in 2018 was seen after a two-year streak of calm market. This paper supports the proposition that the market volatility is negatively correlated with contemporaneous daily returns of the S&P 500 Index, whereas the fundamental value is positively related to daily returns. In addition, there are more trading days of daily gains than those of losses for the S&P 500 Index over the last 15 years. The magnitudes of volume traded, daily return and price change in daily losses are found, on average, to be higher than those in daily gains, implying that investors seem to react stronger in pessimistic trading periods than in optimistic ones. This study finds that the interaction between market volatility and fundamental value positively affects daily returns of the S&P 500 Index. The portfolios formed on the basis of low volatility and high fundamental value for the S&P 500 Index, defined as the comparisons of their daily value with the corresponding monthly average in a given month and year, tends to have the higher contemporaneous daily returns. While daily returns of the S&P 500 Index for portfolios with high volatility are likely to reverse out in a three-day window, those with low PE and low VIX tend to sustain longer for their risk-adjusted returns.

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CEO Optimism and Stock Price Crashes

We derive an optimistic ratio measure based on executives' relative portfolio compositions in unrestricted and restricted parts and show that CEO optimistic ratios are positively and significantly related to firm-specific price crash risk. Optimistic CEOs tend to spend more on R&D projects while producing less innovation output in return. The paper provides new evidence that CEO personal portfolio decisions are related to firm performance. The results are robust to various empirical specifications and various previously identified factors of stock price crash risk.