THE ATHENS INSTITUTE FOR EDUCATION AND RESEARCH

Abstract Book

22nd Annual International Conference on Finance
8-11 July 2024, Athens, Greece

Edited by
Peter Koveos & Olga Gkounta

2024

Abstracts
22nd Annual International Conference on Finance

8-11 July 2024, Athens, Greece

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Preface

This book includes the abstracts of all the papers presented at the *22nd Annual International Conference on Finance* (8-11 July 2024), organized by the Athens Institute for Education and Research (ATINER).

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 only after a blind peer review process.

The purpose of this abstract book is to provide members of ATINER and other academics around the world with a resource through which they can 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 can meet to exchange ideas on their research and consider the future developments of their fields of study.

To facilitate the communication, a new references section includes all the abstract books published as part of this conference (Table 1). I invite the readers to access these abstract books –these are available for free– and compare how the themes of the conference have evolved over the years. According to ATINER's mission, the presenters in these conferences are coming from many different countries, presenting various topics.

Table 1. *Publication of Books of Abtracts of Proceedings, 2011-2024*

Year	Papers	Countries	References
2024	32	10	Koveos and Gkounta (2024)
2023	21	9	Koveos and Gkounta (2023)
2022	21	12	Koveos and Gkounta (2022)
2021	16	10	Papanikos (2021)
2020	24	12	Papanikos (2020)
2019	44	18	Papanikos (2019)
2018	26	16	Papanikos (2018)
2017	35	15	Papanikos (2017)
2016	36	19	Papanikos (2016)
2015	56	28	Papanikos (2015)
2014	36	19	Papanikos (2014)
2013	72	28	Papanikos (2013)
2012	72	30	Papanikos (2012)
2011	98	29	Papanikos (2011)

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 can regularly meet to discuss the developments of their disciplines and present their work. Since 1995, ATINER has organized more than 400 international conferences and has published over 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.

Gregory T. Papanikos
President

Editors’ Note

These abstracts provide a vital means to the dissemination of scholarly inquiry in the field of Finance. The breadth and depth of research approaches and topics represented in this book underscores the diversity of the conference.

ATINER’s mission is to bring together academics from all corners of the world in order to engage with each other, brainstorm, exchange ideas, be inspired by one another, and once they are back in their institutions and countries to implement what they have acquired. The *22nd Annual International Conference on Finance* accomplished this goal by bringing together academics and scholars from 10 different countries (Australia, Canada, China, France, Hong Kong, Serbia, South Africa, Taiwan, Trinidad & Tobago, USA), which brought in the conference the perspectives of many different country approaches and realities in the field.

Publishing this book can help that spirit of engaged scholarship continue into the future. With our joint efforts, the next editions of this conference will be even better. We hope that this abstract book as a whole will be both of interest and of value to the reading audience. May it be a stimulus for further research and the progress of the discipline.

Peter Koveos & Olga Gkounta
Editors

22nd Annual International Conference on Finance, 8-11 July 2024, Athens, Greece

Organizing & Scientific Committee

All ATINER's conferences are organized by the Academic Council. This conference has been organized with the assistance of the following academic members of ATINER, who contributed by reviewing the submitted abstracts and papers.

1. Gregory T. Papanikos, President, ATINER & Honorary Professor, University of Stirling, U.K.
2. Peter Koveos, Head, Finance Unit, ATINER & Professor of Finance, Syracuse University, USA.
3. Nicholas Marudas, Head, Accounting Unit, ATINER & Associate Professor, Mercer University, USA.

FINAL CONFERENCE PROGRAM

22nd Annual International Conference on Finance, 8-11 July 2024, Athens, Greece

PROGRAM

Monday 8 July 2024

07.45-08.30
Registration
08:30-08:45
Opening and Welcoming Remarks:

- **Gregory T. Papanikos**, President, ATINER.

08:45-10:30 Session 1
Moderator: Nicholas Marudas, Head, Accounting Unit, the Athens Institute & Associate Professor, Mercer University, USA

1. **Willie Reddic**, Associate Dean of Business Education, Syracuse University, USA.
   Patricia Crawford, PhD Student, University of Rhode Island, USA.
   Susan Albring, Professor, Syracuse University, USA.
   ***Title**: Do Underserved an Underrepresented Communities Pay a Higher Rate Premium in Employer-Sponsored Healthcare Coverage?*
2. **Susan Albring**, Professor, Syracuse University, USA.
   Kang Ho Cho, Assistant Professor, Manhattan College, USA.
   Xiaolu Xu, Associate Professor, University of Massachusetts-Boston, USA.
   ***Title**: Macroeconomic Uncertainty, Audit Fee Premiums and Audit Quality.*
3. **Ching-Chieh Lin**, Professor, National Pingtung University, Taiwan.
   ***Title**: The Effects of Audit Committee Tenure on Earnings Quality and Audit Timeliness.*
4. **Andrea Karayianni Tsentides**, Associate Professor, Marymount Manhattan College, USA.
   ***Title**: ESG Assurance Characteristics and Stakeholder Judgment and Decision-making – An Experimental Approach.*

10:30-12:00 Session 2
Moderator: Douglas Barney, Professor, Indiana University Southeast, USA.

1. **Nicholas Marudas**, Associate Professor, Mercer University, USA.
   ***Title**: Improved Evidence on the Extent of Excessive or Insufficient Fundraising among U.S. Nonprofit Organizations.*
2. **A. J. Stagliano**, Professor, Saint Joseph's University, USA.
   ***Title**: Pricing Emitted CO_2: Placing a Financial Cost on a Seemingly Unalterable Externality.*
3. **Zhi Wang**, Associate Professor, Southwestern University of Finance and Economics, China.
   ***Title**: The Power of Babel Tower: Language Diversity and Corporate Green Innovation.*
4. **Lingwei Li**, Lecturer, The Australian National University, Australia.
   Weixiao Wang, PhD Student, The Australian National University, Australia.
   Lijuan Zhang, Senior Lecturer, The Australian National University, Australia.
   ***Title**: Customers' Non-GAAP Disclosures and Suppliers' Investment Efficiency.*

12:00-13:30 Session 3
Moderator: A. J. Stagliano, Professor, Saint Joseph's University, USA.

1. **Jimmy Hilliard**, Harbert Eminent Scholar and Professor, Auburn University, USA.
   Jitka Hilliard, Professor, Auburn University, USA.
   Yufei Wu, PhD Student, Auburn University, USA.
   ***Title**: Does the Behavior of Short-Lived Options Suggest Information Asymmetry? Signals from Open Interest and Volume Measures.*
2. **Milos Milosavljevic**, Associate Professor, University of Belgrade, Serbia.

Katarina Nedovic, Student, University of Belgrade, Serbia.
Zeljko Spasenic, Assistant Professor, University of Belgrade, Serbia.
Title*: Predicting Stock Prices Using Deep Learning Algorithms: A Case of Food-Processing Industry.*

3. **Pieter van der Spuy**, Lecturer, Stellenbosch University, South Africa.
   Remerta Basson, Lecturer, Stellenbosch University, South Africa.
   Title*: Slicing Up the Cake: Top Management's Segment Review Behaviour and Corporate Tax Avoidance – Implications for Corporate Governance.*

13:30-14:30 Lunch

14:30-16:00 Session 4
Moderator: Susan Albring, Professor, Syracuse University, USA.

1. **Omar Esqueda**, Professor, Tarleton State University, USA.
   Title*: Payout Policy and Corporate Governance: Evidence from Firms with Gender Diverse Boards.*
2. **Walid Saffar**, Professor, Hong Kong Polytechnic University, Hong Kong.
   Title*: Private Firm Disclosures and Public Firms' Debt Choice.*
3. **Jing Zeng**, Lecturer, Chongqing University, China.
   Shijun Guo, Assistant Professor, Chongqing University, China.
   Fang Hu, Lecturer, Griffith University, Australia.
   Title*: Proactive Enforcement of Information Disclosure and Stock Price Synchronicity.*

16:00-17:30 Session 5
Moderator: Omar Esqueda, Professor, Tarleton State University, USA.

1. **Geng Chen**, Professor, Chongqing University, China.
   Title*: Selection of a Listing Criterion, Signal Mechanism and IPO Pricing: A Study Based on the Science and Technology Innovation Board Market of China.*
2. **Zeng Hong**, Professor, Chongqing University, China.
   Title*: Myopia or Foresight: Evidence from CEO's Divorces for Reduction of Restrained Shares in China.*
3. **Yuxiang Li**, Professor, Chongqing University, China.
   Title*: Research on Valuation of Diversified Insurance Companies: A Case Study of ZGPA.*
4. **Anastasios Elemes**, Associate Professor, ESSEC Business School, France.
   Travis Chow, Assistant Professor, University of Hong Kong, Hong Kong.
   Kenneth Klassen, Professor University of Waterloo, Canada.
   Title*: Local Tax Advisory Firm Boundaries and Client Tax-Motivated Income Shifting: Evidence from PwC Europe.*

20:30-22:30
Athenian Early Evening Symposium (includes in order of appearance: continuous academic discussions, dinner, wine/water, music)

Tuesday 9 July 2024

08:30-10:00 Session 6
Moderator: Jitka Hilliard, Professor, Auburn University, USA.

1. **Troy Pollard**, Associate Professor, University of Alabama, USA.
   Thomas Lopez, Professor, University of Alabama, USA.
   Matthew Evans, PhD Student, University of Alabama, USA.
   Robert (Tucker) Davis, Assistant Professor, University of Wyoming, USA.
   Title*: Income Smoothing: The Influence of Manager Equity Incentives.*
2. **Doron Nissim**, Ernst & Young Professor of Accounting and Finance, Columbia Business

School, USA.
Title: EBITDA, EBITA or EBIT?

3. **Chen Zhao**, Associate Professor, Southwestern University of Finance and Economics, China.
   Yizhen Jia, Student, Southwestern University of Finance and Economics, China.
   Shuo Feng, Associate Professor, Southwestern University of Finance and Economics, China.
   Title: Regulatory Minority Shareholders and Accounting Conservatism: Evidence from CSISC.
4. **Lijuan Zhang**, Senior Lecturer, The Australian National University, Australia.
   Weixiao Wang, PhD Student, The Australian National University, Australia.
   Title: Customers' SEC Comment Letters and Suppliers' Investment Efficiency.

10:00-11:30 Session 7
Moderator: Zhimin Yu, Assistant Professor, University of Houston-Downtown, USA.

1. **Qiang Kang**, Associate Professor, Florida International University, USA.
   Title: Does Climate-Related Information in Stock Price Affect Firm Investment?
2. **AbderRaouf Birem**, PhD Student, Université Paris-Est Creteil/ERUDITE, France.
   Title: Gain the Trading Edge: Leveraging Machine Learning for Streaming Market Stock Ups and Downs Predictions.
3. **Rodney Sullivan**, Executive Director, University of Virginia Darden School of Business, USA.
   Title: Global Macro and Managed Futures Hedge Fund Strategies: Portfolio Differentiators?

11:30-13:00 Session 8
Moderator: Lijuan Zhang, Senior Lecturer, The Australian National University, Australia.

1. **Douglas Barney**, Professor, Indiana University Southeast, USA.
   Michael Wieck, Assistant Professor, Indiana University Southeast, USA.
   Title: Where are They Now?
2. **Zhimin Yu**, Assistant Professor, University of Houston-Downtown, USA.
   Title: Institutional Investment and Spill-Over Effects of Sino-U.S. Geopolitical Uncertainty.
3. **Yuxin Song**, Master's Graduate, University of Saskatchewan / Banking Advisor, RBC Royal Bank of Canada, Canada.
   Title: Wall Street's Attitude toward the CEO-to-Employee Pay Ratio: Evidence from M&As.

13:00-14:00 Lunch

14:00-15:30 Session 9
Moderator: Qiang Kang, Associate Professor, Florida International University, USA.

1. **Nancy Feng**, Professor, Suffolk University, USA.
   Janet S. Greenlee, Emeritus Professor, University of Dayton, USA.
   Title: Empirical Nonprofit Research Literature Review by Major Accounting Areas.
2. **Imran Hosein**, Lecturer, The University of the West Indies, Trinidad & Tobago.
   Title: The Role of Accountants in Driving Information Technological Change in the Board Room.
3. **Hannah Pham**, Lecturer, University of Technology Sydney, Australia.
   Title: Tight Budgetary Control in Early-Stage Organizations Facing High Uncertainty and Under-Resourced Environments: Causes and Effects.
4. **Tracey Niemotko**, Chair of the Department of Accounting, Director of the MS in Public Accountancy Program, Marist College, USA.
   Title: The Accounting (CPA) Evolution in the United States and the Focus on Professional Ethics.

17:30-20:30 Session 10
Old and New-An Educational Urban Walk

The urban walk ticket is not included as part of your registration fee. It includes transportation costs and the cost to enter the Parthenon and the other monuments on the Acropolis Hill. The urban walk tour includes the broader area of Athens. Among other sites, it includes: Zappion,

Syntagma Square, Temple of Olympian Zeus, Ancient Roman Agora and on Acropolis Hill: the Propylaea, the Temple of Athena Nike, the Erechtheion, and the Parthenon. The program of the tour may be adjusted, if there is a need beyond our control. This is a private event organized by ATINER exclusively for the conference participants.

20:30-22:00
Dinner

Wednesday 10 July 2024
An Educational Visit to Selected Islands
or Mycenae Visit

Thursday 11 July 2024
Visiting the Oracle of Delphi

Friday 12 July 2024
Visiting the Ancient Corinth and Cape Sounion

Susan Albring
Professor, Syracuse University, USA
Kang Ho Cho
Assistant Professor, Manhattan College, USA
&
Xiaolu Xu
Associate Professor, University of Massachusetts-Boston, USA

Macroeconomic Uncertainty, Audit Fee Premiums and Audit Quality

We investigate whether macro-level uncertainty on the future economic prospects faced by all market participants, referred to as macroeconomic uncertainty, is associated with audit fee premiums and audit quality. We focus on audit fee residuals and differentiate auditor-level premiums from engagement-specific premiums following Moon, Shipman, Swanquist, and Whited (CAR 2019). We find a significantly positive association between macroeconomic uncertainty and auditor premiums, consistent with an increased auditor-level quality enhancing effort when macroeconomic uncertainty is high. We show that macroeconomic uncertainty negatively affects audit quality through a direct negative effect and an indirect positive effect mediated by auditor premiums. Further analyses show that auditors of different attributes respond to macroeconomic uncertainty differently. Specifically, we find evidence that Big 4 and specialist auditors mitigate the negative association between macroeconomic uncertainty and audit quality (i.e., increased audit quality). Furthermore, we find that the mitigation effect of additional audit effort is stronger when client firms are in higher litigation industries. The results are robust to a set of additional tests using alternative measures of audit quality and macroeconomic uncertainty, an alternative sample period, and models that control for GDP growth. Collectively, we provide evidence that while economic uncertainty lowers audit quality, auditors increase their effort to mitigate the negative effects of macroeconomic uncertainty. Overall, our study provides insights into whether and how auditors respond to macroeconomic uncertainty in maintaining audit quality.

Douglas Barney
Professor, Indiana University Southeast, USA
&
Michael Wieck
Assistant Professor, Indiana University Southeast, USA

Where are They Now?

The worldwide financial decline of 2008 had a devastating impact on many companies. In the aftermath of 2008, the U.S. experienced a sharp increase in corporate failures. During the years 2009 to 2012, 491 publicly-traded U. S. companies declared bankruptcy. Of these 491 companies 416 filed chapter 11 bankruptcy, meaning they planned to reorganize and continue business. (The other 75 companies filed Chapter 7 bankruptcy, meaning those companies were going out of business.) This study examines the pattern of failures over the above-mentioned years, identifies the week in that time frame with the most chapter 11 bankruptcy declarations, and follows what happened with those firms. Most studies on this topic review the full data set with an attempt to identify variables determinant of chapter 11 firm success. This case study provides more in-depth insight into the prospects of chapter 11 success for a few companies over 10 years after bankruptcy declaration. The study examines the financial variables of the selected companies before filing for bankruptcy, financial variables after filing for bankruptcy, and whether these companies survived or ultimately filed for Chapter 7 bankruptcy. This study will elucidate determinants of companies' success after filing for Chapter 11 bankruptcy.

AbderRaouf Birem
PhD Student, Université Paris-Est Creteil/ERUDITE, France

Gain the Trading Edge: Leveraging Machine Learning for Streaming Market Stock Ups and Downs Predictions

Forecasting stock market trends is a complex component of financial analysis. The challenge lies in predicting the volatile and non-linear behavior of the stock market, which is influenced by a wide array of uncertain factors, including financial metrics and macroeconomic indicators. Drawing upon a dataset spanning almost five years and comprising information from three major companies within the streaming industry, our analysis reveals that, under certain conditions, machine learning algorithms can effectively surmount prediction challenges and accurately anticipate fluctuations in stock prices. Our study reveals that ARIMA models prove inadequate in forecasting the trajectory of stock price. However, we highlight the potential of machine learning (ML) and deep learning (DL) models to transform this challenge into a classification problem, thereby reducing risk. By leveraging ML and DL techniques, it's possible to mitigate uncertainties associated with stock market predictions, enhancing risk management strategies. Our study demonstrates that Machine Learning algorithms can predict price movements rather than prices themselves, Challenging the Random Walk theory and the Efficient market Hypothesis forms. An additional significant discovery is that the application of penalized Logistic Regression (LR) to predict stock price movements emphasizes the inherent difficulty of surpassing random guessing in financial markets. Nevertheless, LR demonstrates high accuracy rates across our dataset focused on the streaming industry.

Geng Chen
Professor, Chongqing University, China
Yanping Bao
Assistant Professor, Sichuan International Studies University
&
Shuting Zhang
Chongqing University, China

Selection of a Listing Criterion, Signal Mechanism and IPO Pricing: A Study Based on the Science and Technology Innovation Board Market of China

The adoption of a registration system and the establishment of various listing criteria on the Science and Technology Innovation Board (STIB) of China have markedly influenced the development of the Chinese stock market.

The research explores the impact of pre-IPO corporations' behavior of selecting a listing criterion on IPO pricing. We document that the selection of a listing criterion has a signaling effect on IPO pricing on STIB. Interestingly, opting for a listing criterion that bypasses the need for profit leads to higher IPO prices, a result that remains even when accounting for various other firm-specific factors. Investigating how the behavior of selecting a listing criterion influences IPO pricing reveals that the firm size plays a fully mediating role. Further analysis indicates that in cases where the impact of selecting an IPO listing criterion on IPO pricing is weak, research and development (R&D) expenditure plays a complemental role and has a positive effect on IPO pricing.

This study contributes to the literature of IPO pricing in the Chinese stock market, shedding light on investor valuation preferences and operational traits on STIB of China. Our findings also bear practical implications for firm decision-making and government policymaking.

Anastasios Elemes
Associate Professor, ESSEC Business School, France
Travis Chow
Assistant Professor, University of Hong Kong, Hong Kong
&
Kenneth Klassen
Professor University of Waterloo, Canada

Local Tax Advisory Firm Boundaries and Client Tax-Motivated Income Shifting: Evidence from PwC Europe

We examine the implications of the formation of PwC Europe in 2012 – an alliance of PwC member firms in Central Europe – for client tax planning. Using a difference-in-difference research design around the entrance of PwC Germany, Netherlands, and Belgium into the alliance, we find that group affiliates audited by members of the alliance shift more income relative to control affiliates subsequent to the event. The effect persists after the implementation of Country-by-Country reporting in 2016. Clients of PwC Europe optimize their cross-border tax planning by strategically allocating debt among group affiliates and by incorporating loss-making affiliates' tax planning opportunities. Global audit networks are thought of as series of loosely connected partnerships that are locally owned and independent. Our study is the first to shed light on the role of regional alliances within audit-firm networks and to document the importance of local tax advisory firm boundaries for client tax-motivated income shifting.

Omar Esqueda
Professor, Tarleton State University, USA

Payout Policy and Corporate Governance: Evidence from Firms with Gender Diverse Boards

Extant literature asserts that firms with more gender diversity in their board of directors tend to have better corporate governance (Adams and Ferreira, 2009; Cumming, et al., 2015; Evgeniou and Vermaelen, 2017). However, the association between corporate governance improvements due to board diversity and changes in dividend policy appears to be inclusive. For example, Pucheta-Martínez and Bel-Oms (2016), Al-Rahahleh (2017), Ye, et al. (2019), Jiraporn et al. (2019), and Shehata (2022) find that, due to their better corporate governance, firms with diverse boards have higher dividend payouts and are more likely to be dividend payers. Yet, some researchers argue that gender diversity in the board decreases dividend payouts (Saeed and Sameer, 2017; Tahir, et al., 2020; Nadia and Hanafi, 2023) while others find a non-linear relationship between the proportion of female members in the board and dividend payouts (García-Meca, et al., 2022).

In this manuscript, we employ several measures of board diversity as proxies for corporate governance and test their impact on payout policy. Unlike previous research, we consider whether diverse boards are more likely to pursue dividend policies that maximize shareholder wealth, as predicted by agency theory. Similar to Esqueda and O'Connor (2023), we use the cost of equity (COE) to earnings yield (EY) differential to proxy for value maximizing investment opportunities. We argue that firms with strong corporate governance will pursue a dividend policy that increases (decreases) dividend payouts when the COE>EY (COE<EY). We also employ the agency costs of free cash flow and test whether firms with more diverse boards and higher risk of overinvestment are more likely to pay dividends. We categorize firms with high overinvestment risk when their adjusted cash holdings are high and the following equation holds true: COE>EY>0.

This paper contributes to the literature in the following ways. First, we test whether firms that increase diversity in their boards are more likely to implement payout policies that are consistent with the principle of shareholder wealth maximization. We employ the cost of equity hypothesis (Esqueda and O'Connor, 2023) to explicitly measure whether changes in dividend policy benefit shareholders. Second, we consider the agency costs of free cash flow to identify firms with high overinvestment risk and whether boards implement policies that

reduce risk of management expropriation. Third, we consider dividend payouts and share repurchases to examine payout policy. Whereas previous research mostly considers dividend payouts, we use dividend payments as well as the combined total payouts.

Nancy Feng
Professor, Suffolk University, USA
&
Janet S. Greenlee
Emeritus Professor, University of Dayton, USA

Empirical Nonprofit Research Literature Review by Major Accounting Areas

Nonprofit empirical research has grown substantially in recent years. In this paper, we provide a detailed review of a selection of representative recent empirical nonprofit research, organized chronologically within each accounting topic in major accounting areas (i.e. auditing, compensation, financial accounting, governance, managerial accounting, and taxation). We also include in the appendix an annotated bibliography of nonprofit accounting empirical research that has been published in major journals since 2016, also organized by major accounting areas. This appendix includes not only references but also their major findings. This paper should be of interest for researchers who are keen to learn recent findings of nonprofit empirical research in these major accounting areas.

Jimmy Hilliard
Harbert Eminent Scholar and Professor, Auburn University, USA
Jitka Hilliard
Professor, Auburn University, USA
&
Yufei Wu
PhD Student, Auburn University, USA

Does the Behavior of Short-Lived Options Suggest Information Asymmetry? Signals from Open Interest and Volume Measures

Option statistics can be an important indicator for informed traders, sometimes suggesting private access to material information. Thus, options markets have been treated as the primary trading location for early informed investors (Amin and Lee (1994), Easley, O'Hara, and Srinivas (1998), Jin, Livnat and Zhang (2012), and Pan and Poteshman (2006)). We weigh the information content of an option based on contract specifications. A participant making a substantial investment in deep out-of-money short maturity options may signal that the investor is informed. These option-based strategies do not require that traders know exactly what the information is so long as the traders observe the measurement criteria before stock portfolio formation.

We define a new measure to proxy for information related trading behavior. The measure combines option contract moneyness, option price, and open interest. We sort portfolios into deciles based on the information measure. The decile portfolio returns are expected to increase monotonically with the measure. To construct an applicable trading strategy, we also form a long-short zero investment portfolio by longing the decile 10 (D10) portfolio (the portfolio with highest positive information measure) and shorting the decile 1 (D1) portfolio (the portfolio with the lowest positive information measure). The zero-investment portfolio has a significant positive daily return even after accounting for transaction costs and short sale frictions.

We also report average excess returns (α) with the Fama-French (FF) 5 factors (2015) model including the Carhart (1997) momentum factor. The regression results show that the loadings on FF 5 and Carhart factors do not change significantly across all decile portfolios. However, the average excess return (α) on the D1 portfolio is significantly negative while the α on the D10 portfolio is not significantly different from zero. The average excess return on the long-short (D10-D1) portfolio is significantly positive. We also find that results from this

measure are better than results using put/call volume as an information measure. We amend the open interest measure by imbedding implied volatility. The amended measure gives significantly improved estimates of outperformance for both daily return and FF5 average excess return.

Zeng Hong
Professor, Chongqing University, China

Myopia or Foresight: Evidence from CEO's Divorces for Reduction of Restrained Shares in China

To examine whether divorce is a tool for managers' self-interested behavior, we construct a multi-period difference-in-difference (DID) model to test whether CEO' divorce cause to reduce their restrained shares and its consequence. Our results show that CEO's divorces positively affect reductions of CEO's restrained shares and the short-term market reaction to CEO's divorces is negative. Furthermore, CEO's divorces lead to lower R&D investment in future, and firms' incentives to violate are significantly stronger. This relationship is more pronounced for firms with lower CEO shareholdings and lower fund occupation by large shareholder. As result, Improvements in information transparency and the quality of internal control can inhibit the reduction in R&D investment and firms' violation behaviors.

Imran Hosein
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The Role of Accountants in Driving Information Technological Change in the Board Room

This paper examines the accountants' perception of their role in driving technological change in the boardroom of shipping companies in Trinidad. This study emerged from the lessons of the COVID-19 pandemic which forced companies to increase their usage of information technology to support their business operations. A mixed methods design will be used in this study. Information would be collected using questionnaires consisting of both open-ended and closed-ended questions followed by interviews.

The importance of the study stems from the emerging trend of artificial intelligence and its impact on the business processes including the accounting functions. For businesses to remain competitive the offerings of these new information technological tools need to be explored regarding the company's value chain. Given the continuous state of technological advances shaping the business environment boardrooms must be in a position to provide the strategic direction

The results of the study are intended to improve the effectiveness of the boardroom in dealing with technological changes by recognizing the accountants' role in this process. This may illustrate the need for boardroom discussions to move beyond the current accountants' perceptions.

Qiang Kang
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Does Climate-Related Information in Stock Price Affect Firm Investment?

Focusing on temperature as a proxy for climate, I examine whether climate-related information in stock price affects a firm's investment. I construct firm return sensitivity to abnormal temperature as a proxy for this information content. Using data over 1970-2021, I find that the information content is positively associated with a firm's investment and this positive relation weakens when the firm's investment opportunity expands. The same pattern arises in the relations between the information content and firm performance and firm value. The results suggest that climate-related-information-driven investment is value-enhancing and that stock market rewards firms for making such investment. The significantly negative relation between investment sensitivity to stock price and climate exposure is consistent with the notion that the climate-related information incorporated into stock price is already known to managers.

Andrea Karayianni Tsentides
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ESG Assurance Characteristics and Stakeholder Judgment and Decision-making – An Experimental Approach

Unlike the financial statements, which are mainly targeted towards investors, ESG reports have a wider audience which includes consumers and employees. While research within the disciplines of finance, marketing and management have separately examined the impact of these reports on investors, consumers, and employees respectively, there is limited research on the impact of assured ESG reports on these stakeholders' decision-making. Furthermore, while ESG assurance and its various characteristics may satisfy the information needs of investors, it is unclear whether and how these same various characteristics satisfy the information needs of consumers or employees (i.e., fit for purpose). An increasing number of consumers, investors, employees, and governments place ESG expectations and requirements on their interactions and relationships with different organizations and businesses. Despite the elevated attention to ESG issues and the increase in demand for ESG- driven investments, there is not much consistency in ESG reporting and assurance, reducing the reports' comparability and potential reliability. While there are currently different levels of ESG assurance based on a variety of standards provided by an array of professionals, it is unclear how the various stakeholders value these different characteristics or whether they rely on the assurance altogether.

In particular, this study experimentally examines the impact of two ESG assurance characteristics on the judgment and decision-making behavior of different stakeholders: (1) the type of assurance provider (i.e., the accountant that provides financial attestation services to the company versus another accountant versus another non-accountant provider); and (2) the level of assurance provided (i.e., limited assurance versus reasonable assurance). The findings will have important implications on three different levels. First, at a time when there are concurrent proposals on climate disclosure and assurance globally, understanding the effects of different types of ESG assurance on stakeholders can also help regulators shape this newly chartered territory. Furthermore, they can provide useful insights for organizations on their ESG Assurance choices. Finally, they can guide ESG assurance providers on how to tailor and market their services.

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Weixiao Wang
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&
Lijuan Zhang
Senior Lecturer, The Australian National University, Australia

Customers' Non-GAAP Disclosures and Suppliers' Investment Efficiency

This study examines whether customers' disclosures of non-GAAP earnings affect suppliers' investment efficiency. We find that suppliers' investment efficiency is positively associated with the issuance and the frequency of customers' non-GAAP earnings disclosures. We also find that suppliers' investment efficiency improves when their customers make high-quality and prominent disclosures of non-GAAP earnings. Further analyses reveal that the positive association between suppliers' investment efficiency and customers' non-GAAP disclosures is more pronounced when the supplier is more dependent on the customer, when the supplier operates in a durable goods industry, and when the customer has a lower level of analyst following. In addition, customers' non-GAAP disclosures decrease suppliers' likelihood of underinvestment as well as overinvestment. Overall, our findings suggest that the information contained in customers' non-GAAP disclosures is valuable for suppliers to improve their investment efficiency.

Yuxiang Li
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Research on Valuation of Diversified Insurance Companies: A Case Study of ZGPA

This paper aims to explore the field of value assessment of diversified insurance enterprises. I seek to improve valuation methods based on existing theories and methods, considering the specific characteristics of diversified insurance companies. The objective is to propose a reasonable valuation framework, and construct a valuation model suitable for diversified insurance enterprises. Firstly, this paper analyzes the current situation of diversified insurance companies, relates various factors influencing the value of diversified insurance companies, and analyzes some valuation models commonly employed in current evaluation practices. This paper points out that the existing single valuation model is not suitable for the value evaluation of modern diversified insurance companies, and I put forward a combination valuation model for the valuation of diversified insurance companies. Then, on the basis of studying some ideas of value assessment of diversified insurance enterprises and specific steps in model construction, combined with the characteristics of diversified insurance enterprises, this paper puts forward a combination model construction idea suitable for the value assessment of diversified insurance enterprises. The combination model includes some classic models of market method, income method and cost method, fully taking into account the unique characteristics of diversified insurance companies. Finally, this paper takes Ping An Insurance (Group) Co., LTD. (hereinafter referred to as "ZGPA") as a typical case for valuation practice. Through analysis and comparison, the combination model adopted for ZGPA valuation is determined, that is, the company is valued by segments based on four business segments: insurance, banking, asset management and technology. The segment valuation framework integrates the embedded value model, net asset model, two-stage dividend discount model and comparable price-to-book ratio model, with each business segment's assessed value calculated separately. The overall valuation of ZGPA is obtained through summation and adding, and then the valuation results are verified and compared by other methods. This paper can further improve the valuation method of diversified insurance companies, offering a new perspective and tool for the research and practice in this field.

Ching-Chieh Lin
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The Effects of Audit Committee Tenure on Earnings Quality and Audit Timeliness

Following prior research, this study investigates the effects of audit committee consecutive tenure on earnings quality and audit timeliness, individually and simultaneously. To anchor with regulations requiring that the consecutive terms of independent directors should be restricted in financial industry in Taiwan, this research studies long/short terms of audit committee on financial quality and financial efficiency in non-financial industry.

Results indicate that audit committee tenures mitigate earnings management and improve audit timeliness separately. In addition, audit committee tenures simultaneously improve earnings management and audit timeliness. Such results are not changed when using other audit committee tenure proxies. This study further shows that audit committee tenures mitigate positive abnormal discretionary accruals, not negative. The results of this paper have policy implications to the authorities concerned, investors, and academics.

Nicholas Marudas
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Improved Evidence on the Extent of Excessive or Insufficient Fundraising among U.S. Nonprofit Organizations

We apply the methodology of Jacobs and Marudas (2006) to estimate, for each nonprofit organization (NPO) in a large sample of NPOs, whether the NPO's level of fundraising is "excessive," "insufficient," or neither, relative to the level that maximizes net donations. Sargeant and Kahler (1999) show that different results are obtained from testing a sample drawn from a single type of NPO than from testing a sample drawn across all types of NPOs. Jacobs and Marudas (2006) tested a small heterogeneous sample of the largest 100 U.S. NPOs. Marudas and Jacobs (2007) did test a homogeneous sample of arts NPOs, but this was only one of many types of NPOs. We provide improved evidence on the extent of insufficient, optimal, or excessive fundraising among NPOs by testing large homogenous samples of many specific types of NPOs, such as health, education, etc. and by testing more than one model of donations from the literature to provide evidence on the robustness of results to model specification.

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Katarina Nedovic
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Predicting Stock Prices Using Deep Learning Algorithms: A Case of Food-Processing Industry

A prediction of stock prices (or the value of any class of investments) has been a focal point of the financial body of knowledge for decades now. The complexity of stock price prediction involves various factors, including market trends, economic indicators, company performance, news sentiment, and more. Accordingly, stock prices are said to follow the 'random walk hypothesis' and their price prediction is hard, if not impossible. This systemic factor should also be coupled with the limited human cognitive abilities to envisage the dynamics of financial markets. Novel machine learning algorithms have been advocated as potentially supreme replacement for the 'human-centric' stock prediction approaches. Hitherto, a myriad of machine learning algorithms has been effectively used for this purpose – ARIMA (Auto-Regressive Integrated Moving Average), XGBoost (Random Forest and Gradient Boosting Algorithms), CNN (Convolutional Neural Networks) or LSTM (Long Short-Term Memory). The latest one is particularly suitable for capturing patterns in time series data, making them suitable for stock price prediction. LSTM networks consist of memory cells that store state information over time using memory and output units that regulate and control the flow of information through them. These networks use three types of gates - forget, input and output. Since LSTM networks can assign different weights to input variables, it automatically selects the most relevant variables. Hence the ability of LSTM to capture the long-term dependence of time series and the ability to forecast financial time series. However, the disadvantage of the LSTM algorithm is that it takes a long time to train and requires a large sample of data. Having this in mind, the aim of this paper is to test the predictive capacity of LSTM on a sample of large global food industry companies. The prices of shares of five companies were observed, namely: PEP (PepsiCo), TSN (Tyson Foods), NSRGY (Nestle), JBSAY (JBS S.A.), KHC (The Kraft Heinz Company), in the period from 01.01.2015. until 1.11.2022. years. Based on the data from this time

range, a stock price forecast for Nov 2nd, 2022, was made. The results indicate very precise prediction since the difference between predicted and real stock price is insignificant.

Tracey Niemotko
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The Accounting (CPA) Evolution in the United States and the Focus on Professional Ethics

In the United States, professional accountants must go through a rigorous process to be licensed as certified public accountants (CPAs). The requirements for CPA licensure in the United States consist of a course of study including 150 educational hours, one year of work experience, and successful completion of the four parts of the CPA exam.

Recently, the American Institute of Certified Public Accountants (AICPA) and the National Association of State Boards of Accountancy (NASBA) took bold action to revamp the accounting curriculum for colleges and universities throughout the United States. Thus, this CPA Evolution brought new mandates that require colleges and universities with a registered accounting program to reevaluate course offerings to be sure that the newly proposed AICPA/NASBA learning objectives are addressed and included in their curriculum. Thus, this revamped curriculum mandate, which was put in place to reflect the changing skill sets needed by accounting professionals in the marketplace, has changed the focus of accounting education in the United States and the format of the certified public accounting licensing exam.

A main shift in the requirements of the CPA Evolution is the emphasis on information technology skills, such as being educated regarding cybersecurity, network setup, data modeling, data analytics, data mining, operating systems, cloud computing, and artificial intelligence. Better written and verbal communication skills and professional ethics are also priorities.

Students need to understand the AICPA Code of Professional Conduct and how accounting professionals can achieve and maintain high standards of ethical conduct. An excellent tool to address and examine professional ethics is to incorporate case studies in classes so that students appreciate the impact of ethical concerns and challenges on CPAs and their work.

Students must also be aware of the correlation between their personal values and professional integrity, objectivity, and perhaps independence. Thus, as future accounting professionals, students must come to appreciate the importance of ethical behavior and how it is tied to their professional responsibilities as future CPAs; they must

recognize the impact their actions as accounting professionals can have on maintaining and safeguarding public trust.

This presentation will provide an overview of the new requirements for CPA licensure in the United States and discuss how colleges and universities are embracing these new AICPA/NASBA CPA Evolution mandates. In addition, the issue of how to *teach* ethics will be considered – techniques and an ethics questionnaire developed by the presenter to incorporate ethical discussions in the classroom will be explored.

Doron Nissim
Ernst & Young Professor of Accounting and Finance, Columbia Business School, USA

EBITDA, EBITA or EBIT?

Over the last thirty years there has been a strong positive trend in the magnitude of amortization charges, due to both economic and accounting changes. This trend has accelerated over the last decade, following the implementation of a revised accounting standard for business combinations. Concurrent with the recent trend, managers and external users of financial statements increasingly discuss operating performance focusing on earnings metrics that exclude amortization but include depreciation. This study compares earnings before interest, taxes and amortization (EBITA) with its two more common alternatives—EBIT and EBITDA. Consistent with the amortization trend, EBITA's advantage over EBIT in explaining market values has gradually increased over time. However, throughout the sample period, EBITDA performed substantially better than both EBITA and EBIT. In terms of predicting stock returns, the three operating income measures performed well in the 1990s and 2000s, but not over the last decade.

Hannah Pham
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Tight Budgetary Control in Early-Stage Organizations Facing High Uncertainty and Under-Resourced Environments: Causes and Effects

We study why and how tight budgetary control is used in early stage organisations experiencing high uncertainty, when cost control and growth are simultaneously pursued. We do so by observing the budgeting process in the Oz Sports League (OSL) and its six constituent clubs. We find that the presence of insufficient parent funding leads to the development of tight budgetary control in high growth environments. While initially sanctioned by senior management, signalling the weighting of cost control objectives over growth objectives, business unit managers resist and engage in unsanctioned behaviours to pursue growth objectives. Consequently, both objectives remain unmet. Counter to recent management accounting studies explaining why tight budgetary control might aid the staff to achieve targets as they offer a sign post in uncertain times, we explain how managers do not build in budgetary slack at the planning stage owing to the lack of funds, but engage in unsanctioned behaviours to drive high growth during a period, leading to over-expenditure notwithstanding the very tight budgetary control environment. Subsequently, tight budgetary control fails, and often, owing to the broader uncertain marketplace, does not attain the broader growth objective desired by the very same managers.

We add to the ongoing debate in the management control systems (MCS) literature concerning the working of tight budgetary control when cost constraints exist, but in high growth environments, highlighting the role business unit managers beyond slack creation to exacerbate the cost control problem in pursuit of growth objectives. More specifically, by examining the causes and effects of tight budget controls in early stage organisations, this study adds to the extant budget literature on the effects of budgetary control a better understanding the situations in which tight budget control does not lead to effective cost control. This paper addresses the tension between cost control and growth pursuit in early stage organisations facing high uncertainty and insufficient funding. The aspect has not been addressed in the budgeting and early stage MCS literature. Further, given global crises (e.g., GFC, COVID-19) are becoming more 'regular', and managers and organisations need to be more informed and adept at

strategic decisions and operational actions (e.g., planning and resource allocating), building upon the findings of this study, future research might examine the role of MCS generally and budgetary control particularly in (early stage) organisations facing high uncertainty environments, exposed to both a global health crisis and a world economic downturn.

Troy Pollard
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Thomas Lopez
Professor, University of Alabama, USA
Matthew Evans
PhD Student, University of Alabama, USA
&
Robert (Tucker) Davis
Assistant Professor, University of Wyoming, USA

Income Smoothing: The Influence of Manager Equity Incentives

Prior research reports that manager risk-taking incentives are positively related to measures of income smoothing. This result suggests that flexibilities in financial reporting enable managers to make "apparent" risk lower while masking the underlying "real" risk. In contrast, literature provides compelling reasons to believe that the consequences of income smoothing are inconsistent with managers with high risk-taking incentives receiving an economic benefit from income smoothing. We address prior empirical design limitations and report results more consistent with theory. That is, the sensitivity of a manager's wealth to changes in stock price (i.e., delta), not the sensitivity to stock return volatility (i.e., vega), provides an incentive for managers to smooth earnings. Further, we find that as stock return volatility increases, managers with high delta are increasingly incentivized to engage in income smoothing to safeguard their firm-specific wealth.

Willie Reddic
Associate Dean of Business Education, Syracuse University, USA
Patricia Crawford
PhD Student, University of Rhode Island, USA
&
Susan Albring
Professor, Syracuse University, USA

Do Underserved an Underrepresented Communities Pay a Higher Rate Premium in Employer-Sponsored Healthcare Coverage?

We investigate the effect of socioeconomic disparities on healthcare coverage discrepancies within underserved and underrepresented communities, particularly examining the effects on average employer-sponsored health insurance premiums at the state level. Our focus analyzes a demographically homogeneous sample of individuals covered by employer-sponsored health insurance, where implicit biases within the healthcare system may be prevalent. Our results reveal that there are variations in employer-sponsored health insurance premiums across different racial and ethnic groups. Controlling for additional socioeconomic factors, we find that underserved populations, particularly those identifying as Black, contribute a higher proportion of their income to employer-sponsored healthcare coverage compared to Whites and Hispanic groups, with disparities of 16.4 and 11.9 percent, respectively.

Our findings offer health insurance providers valuable insights to reassess the fairness of health insurance premiums' employer and employee-paid components among ethnic groups within their organizations. Collectively, our findings hold significance for scholars, practitioners, and investors with concerns regarding racial inequity in employer-provided benefits and its potential impact on the firm's prospects. From a regulatory and standard-setting standpoint, a comprehensive understanding of the economic implications for specific ethnic groups arising from a company's uneven benefits package proves beneficial. Subsequent research could explore whether firms face market repercussions for offering disparate healthcare benefits to employees or if regulators impose penalties for such disparities.

Walid Saffar
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&
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Private Firm Disclosures and Public Firms' Debt Choice

This study examines the impact of private firm disclosure transparency on public firms' debt choice. Using data from 60 countries between 2002 and 2021, we find that private firm transparency significantly reduces public firms' reliance on bank debt. This finding suggests that private firm disclosure transparency alleviates information asymmetry and therefore reduces a firm's reliance on bank debt. We also find that private firm disclosure transparency is negatively associated with bank monitoring needs, manifested in the decreased shares taken by lead arrangers and the lower probability of having financial covenants. Cross-sectional tests show that impact of private firm transparency is greater for public firms with higher information opacity and firms with lower monitoring needs from banks. To establish causality, we use the staggered implementation of electronic business registers as a plausibly exogenous shock and a simulated disclosure scope as the instrumental variable, and we continue to find that private firms' disclosures reduce public firms' bank debt reliance. Overall, our findings suggest externalities of private firm transparency to public firms' debt choice.

Yuxin Song
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Wall Street's Attitude toward the CEO-to-Employee Pay Ratio: Evidence from M&As

Using merger and acquisition (M&A) announcements from 2018 to 2021 by U.S. acquirers, we attempt to understand the market's perception towards Dodd-Frank mandated CEO-to-employee pay-ratio. We find that acquirers' M&A announcement abnormal returns are positively associated with their CEO-to-employee pay-ratio. Our findings are robust to utilizing variation in *Minimum Wage* across acquirer headquarters states as an instrument. These findings are consistent with the optimal contracting view that the market likely perceives the size of pay-ratio as an outcome of boards' pursuit to recruit and retain CEOs with the best talents and most apt abilities. For aptly talented and able CEOs, firms likely offer disproportionately higher pay premiums in the competitive CEO labor market pushing up the pay-ratio.

A. J. Stagliano
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Pricing Emitted CO_2: Placing a Financial Cost on a Seemingly Unalterable Externality

Carbon emissions not only cause widespread and probably irreversible environmental damage, but collaterally have significant financial impacts on the world economy. A potentially useful metric for describing and understanding the comprehensive economic effects of negative outcomes from productive activities that create environmentally unfriendly emissions is the social cost of carbon (SCC). Scientists, economists, academicians in the fields of accounting and finance all have studied measurement of carbon's monetary impact. Alternative measurement methodologies have produced diverse quantitative gauges of the implicit cost of a tonne of carbon dioxide equivalent (CO_2e), the standard unit designated internationally as an indicator of the collective greenhouse gases (GHG) emitted into the atmosphere. Besides atmospheric effects, carbon's impact is felt through soil infiltration and capture in bodies of water—a very wide impact indeed.

What is the social cost of carbon as a concept? The "short answer" to this fundamental question is that the SCC is the full cost of damages created by one extra tonne of carbon dioxide equivalent emission (in whatever form). While the focus usually is on CO_2, it is clear that human and environmental damage from carbon usage extends to many of the other greenhouse gasses, including methane, ozone, nitrous oxide, and the various fluorocarbons. What is well known is that it is anthropogenic generation of carbon effluents to which attention must be given. Human activities deliver these destructive compounds. Some measure is needed so that the benefits from production of useful goods can be assessed against the negative outcomes that can accompany that production. This is where the SCC is of help to us.

Why is it useful for us to have such a metric? A significant problem that has plagued the discipline of welfare economics throughout the past three centuries is the assessment of production-process externalities. Many classical-era political economists grappled with shortcomings of market-based trading structures, the most serious of which is an inability to assimilate implicit costs/benefits into price. For these academicians, the failure of free markets to handle negative externalities was thought to be a problem for governments to correct or control.

Reliance on non-market mechanisms, though, introduces both uncertainty and inefficiency into the pricing process. If the market for

goods/services that carry with them environmentally damaging carbon-effluent externalities is to attain global efficiency, a comprehensive measure of CO_2 will need to be included in price. Without embedding this externality in price, more will be demanded/produced/consumed than is ideal. The social cost of carbon is needed to properly price goods and services so that free-market forces can efficiently allocate outputs. Unless carbon is priced correctly, policymakers are unable to assess whether regulatory options they face are beneficial or not.

This paper critically assesses the current state of carbon pricing. The goal is to place in sharp perspective the various measurement schemes that have been proposed or actually implemented. The alarming rate of global carbon dioxide emissions from burning fossil fuels, as an example, places the matter of carbon pricing at the top of the agenda for policymakers who are, or should be, concerned with climate change. Having a critical assessment of the alternative SCC measurement schemes will assist policymakers in their quest for a balanced scheme of dealing with benefits from rulemaking that curbs greenhouse gas creation and the societal costs of taking such environmental actions.

In addition to dealing directly with SCC measurement models, this research is extended to deal with the social welfare regime and those aspects of the social justice landscape that depend on carbon pricing for legitimizing multi-national compacts aimed at curtailing GHG production. There are significantly more difficult circumstances for resolution when the qualitative aspects of social goods, like human health, that are affected differentially by carbon across countries or populations come into play. SCC impacts not only decisions about current means of production, but also the social justice outcomes that result from the large wealth and consumption disparities that exist around the globe. To an extent, a more objective measure of carbon's cost will assist in reconciling supra-national rulemaking that affects various peoples differently. This, too, is part of the current project's focus. There is an expectation that this research will inform policymakers as regards the appropriate use of carbon's social cost as choices are made on reforming/restructuring the current carbon-energy-based macroeconomic structure. This research will make a contribution to the on-going debate about how to price carbon and how the SCC should be applied for financial and economic decision making in both the public and private sector.

Rodney Sullivan
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Global Macro and Managed Futures Hedge Fund Strategies: Portfolio Differentiators?

The hedge fund industry has continued its rapid growth in recent years with now over $5 trillion in assets under management. In this paper, we update and extend earlier work aimed at demystifying hedge fund strategies with a particular focus on those funds employing a "top-down" investment approach and falling under the categories of global macro and managed futures. When adjusted for risk to traditional stock/bond markets, we find that although cumulative alpha remains positive for both global macro managers and managed futures managers, both strategies have shown a meaningful decline in risk-adjusted alpha in the 13 years following the global financial crisis (GFC). Our analysis further separates performance that can be attributed to other well-known systematic factors and report that these factors add importantly to understanding the variation in returns over time, with significant contributions from various time-series momentum factors. Finally, we emphasize outcomes for investors during turbulent market periods. Here, we show that global macro managers have exhibited more robust portfolio support during market drawdowns versus managed futures managers which have demonstrated comparatively poor portfolio mitigation historically versus a traditional stock/bond portfolio mix.

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Slicing Up the Cake: Top Management's Segment Review Behaviour and Corporate Tax Avoidance – Implications for Corporate Governance

Purpose

There is consensus about the importance of good corporate governance, including open and transparent financial disclosure, and responsible corporate tax behaviour. These topics are critically related elements which are necessary to legitimise corporate behaviour to secure the goodwill and support of society on which companies depend. Indeed, King IV (2016) encourages companies to be responsible tax citizens as an important element of good corporate governance. However, the relationship between corporate governance and tax avoidance is not adequately understood (Kovermann & Velte, 2019), particularly in terms of top management effects as a corporate governance mechanism. Therefore, this study first investigates top management's internal tax review behaviour descriptively by examining segment disclosure practices. Second, two segment disclosure choices that companies must make are identified, which enables an empirical investigation of the relationship between management styles and choices in reporting, and corporate tax avoidance.

Design/ methodology/ approach

Panel data from JSE-listed companies from 2015 to 2019, were obtained from IRESS, and used in regression-analysis to test two hypotheses. The first expects that companies where top management's internal review of segment performance is done on an after-tax basis, are more likely to engage in tax avoidance. The second hypothesis expects that companies where the chief operating decision maker (CODM) is an individual, as opposed to a management team, should be associated with more tax avoidance, because prior research suggests that teams are generally more risk averse. The dependent variable is effective tax rates, to proxy tax avoidance, while segment disclosure choices are captured as dummy variables to proxy the level of management review.

Findings

Regarding the first hypothesis, there is some evidence of an association between management's internal tax review behaviour and effective tax rates, however, results are not consistent across all models. The result is more pronounced for companies that disclose geographic segments. The second hypothesis, expecting that less power concentration in CEOs should be related to lower tax avoidance, is rejected. Descriptively, the results indicate evidence that the CODM-role is overwhelmingly fulfilled by executive management *teams* in South Africa. Further, the study found that most CODMs review segment results on a *before*-tax basis. This arguably suggests a passive approach towards effective tax rate management.

Originality

Some of the data used as explanatory variables, were hand-captured from financial statements since these are not readily available from electronic datasets. Furthermore, disclosure choices are identified as a proxy for management styles to operationalise an upper-echelon effect, normally hidden from the public view. Segment disclosure research on South African companies is scarce, which is this study's further contribution.

Research limitations / implications

The results will be of interest to scholars of the corporate governance-tax avoidance theme, which indicate little influence of top management-effects on corporate tax avoidance. However, the sample shows little variation for some variables over time which makes it difficult isolate the effects. The IASB may find the descriptive statistics regarding current disclosure practises interesting when reviewing this accounting standard for improvement globally. Scholars who are interested in the CEO's influence and its mechanisms used to monitor divisional performance, may also find the paper useful.

Zhi Wang
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The Power of Babel Tower: Language Diversity and Corporate Green Innovation

This paper examines the effect of regional language diversity on corporate green innovation using the dialect difference index of prefecture-level cities. Our results indicate that firms located in regions with greater language diversities are more likely to involve in green innovation activities. Path analyses show that regional language diversity affects corporate green innovation through enhancing corporate ethics and innovativeness. Additional tests reveal that industrial environment, corporate financial characteristics and managerial personality traits moderate the influence of language diversity on green innovation. Specifically, we find that the effect of language diversity on corporate green innovation is more pronounced in industries with higher intellectual property protection level, and patent-intensive industries; the effect is stronger for firms with lower financial constraints and higher risk-taking level; it is also more prominent for firms led by CEOs with higher educational levels. Overall, we provide evidence for informal institutions being an important determinant of corporate green innovation.

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Institutional Investment and Spill-Over Effects of Sino-U.S. Geopolitical Uncertainty

We investigate whether the Sino-U.S. trade war (or geopolitical uncertainty) would have negative spillover effects on the U.S. institutional investments in the Pakistani stock markets. Pakistan is a unique country with strong geopolitical and economic relations with both the U.S. and China. To maintain economic growth, China started the Belt & Road Initiatives (BRI) by investing approx. USD 900 billion in infrastructure developments in more than 60 neighboring countries around China; Pakistan joined a flagship BRI project worth USD $62 billion in 2015. First, we use data from the Pakistani stock market from 2012 to 2019 and find that U.S. institutional investments increased significantly in Pakistani firms between pre-and and the post-BRI periods during low Sino-U.S. geopolitical rivalry (before the trade-war). However, we find evidence that the U.S. institutional investment decreased its presence in the Pakistani stock markets once thetrade war. trade-war started. Furthermore, we find strong evidence that the U.S. institutional investments shifted from low-disclosure quality firms towards high-disclosure quality firms in the post-trade war period. We find similar results when did a direct test of Sino-U.S. rivalry by investigating Chinese firms listed in Chinese stock markets. We conclude that firms in emerging economies with high disclosure quality are in a better position to safeguard against the tensions due to increasing geopolitical uncertainty around the world.

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Proactive Enforcement of Information Disclosure and Stock Price Synchronicity

An assumption in earlier literature that investors can integrate corporate information into their trading decisions with negligible costs has been challenged by numerous studies. Indeed, investors encounter significant costs to refine acquired financial information into their investment decisions. This integration cost further increases when considering the industry diversification, particularly with regard to incorporating industry featured information into valuation estimate. Corporate managers, therefore, try to disseminate an abundant amount of information about their actions and operation through several avenues in order to attenuate investors' information processing cost. Although many studies examine the effectiveness of information disclosure in incorporating firm-specific information into stock price, there is lack of comprehensive understanding on the impact of firm-specific disclosure mechanism pertaining to industry information on investors' information processing.

This lack of attention is likely due to two reasons. First, traditional information disclosure policies mostly stipulate a specific information disclosure field to limited sectors such as regulated industries. Second, investigating the relationship between industry-specific information disclosure and investor's information processing remains a formidable task. This complexity arises from the endogenous nature of firms' decisions to disclose information, which is frequently influenced by market conditions and outcomes. To overcome this difficulty, our study uniquely focuses on the proactive focus-sector disclosure program of the Industry Information Disclosure Guides in China's stock markets, which were established to enhance compliance with expanded information regulations. We exploit this disclosure program as an exogeneous shock to examine whether corporate firm-specific industry information disclosure, under public enforcement, influences investors' integration of firm-specific information into their trading decisions as

measured by stock price synchronicity (or noted as stock price comovement).

Using an event study approach and difference-in-difference estimation, we find that stock price synchronicity significantly diminishes for firms in the focus-sectors relative to non-focus-sector firms after the enforcement of an industry-specific disclosure regulation. In addition, this negative association is more pronounced in firms with more opaque financial report, firms with lower financial statement comparability, firms with weaker private oversight, and low-competitive markets. We also find several real effects in the capital market about the unobservable impounding of firm-specific information in stock price, including an increase in investor attention, an increase in stock liquidly, and a decrease in the cost of capital.

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Customers' SEC Comment Letters and Suppliers' Investment Efficiency

This study examines the impact of downstream firms' (customers') comment letters relating to revenue recognition (hereafter RCLs) issued by the U.S. Securities and Exchange Commission (SEC) on upstream firms' (suppliers') investment inefficiency. We find that suppliers' investment inefficiency is negatively associated with customers' RCLs. This inverse association is stronger in subsamples where suppliers are more likely to obtain information on customers' RCLs and where customers' information transparency is low. Additional evidence shows that customers' RCLs are associated with less overinvestment by suppliers and that the severity of customers' comment letters also negatively affects suppliers' investment inefficiency. Overall, the results suggest that customers' comment letters contain valuable information that potentially helps suppliers improve investment efficiency.

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Regulatory Minority Shareholders and Accounting Conservatism: Evidence from CSISC

China Securities Investor Services Center (CSISC), established in 2014, is a new minority shareholder protection mechanism promoted by the China Securities Regulatory Commission. Employing a difference-indifferences analysis on a sample of Chinese A-share companies during 2013-2017, we find that the shareholding of CSISC improves accounting conservatism. This effect is more significant in non-state-owned enterprises and companies with lower investor attention. The additional analyses show that CSISC shareholding also constrains controlling shareholders' tunneling, and that CSISC's exercise of rights enhances accounting conservatism even more significantly. This paper is of great policy significance for improving the quality of information disclosure of listed companies in China and protecting small and medium-sized investors in the market.

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