

2015

Accounting & Finance Abstracts

Thirteenth Annual International
Conference on Accounting &
Finance

25-28 May 2015, Athens, Greece

Edited by Gregory T. Papanikos

THE ATHENS INSTITUTE FOR EDUCATION AND RESEARCH



Accounting & Finance
Abstracts

13th Annual International
Conference on Accounting &
Finance

25-28 May 2015, Athens,
Greece

Edited by Gregory T. Papanikos

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Preface

This abstract book includes all the abstracts of the papers presented at the *13th Annual International Conference on Accounting & Finance, 25-28 May 2015*, organized by the Athens Institute for Education and Research. In total there were 56 papers and 59 presenters, coming from 28 different countries (Australia, Bahrain, Belgium, Canada, Finland, France, Germany, Ghana, Greece, Iran, Libya, Malaysia, New Zealand, Oman, Palestine, Poland, Portugal, Romania, Russia, South Africa, South Korea, Spain, Sweden, Switzerland, The Netherlands, UAE, UK and USA). The conference was organized into twelve sessions that included areas such as Corporate Governance, Market Behavior, Auditing, Capital Structure, Non-Profit and Management Accounting as well as other related areas of Accounting and Finance. As it is the publication policy of the Institute, the papers presented in this conference will be considered for publication in one of the books and/or journals of ATINER.

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

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

FINAL CONFERENCE PROGRAM
13th International Conference on Accounting & Finance, 25-28 May
2015

PROGRAM

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

Organization and Scientific Committee

1. Dr. Gregory T. Papanikos, President, ATINER & Honorary Professor, University of Stirling, UK.
2. Dr. George Poulos, Vice-President of Research, ATINER & Emeritus Professor, University of South Africa, South Africa.
3. Dr. Peter Koveos, Head, Accounting & Finance Research Unit, ATINER & Professor of Finance, Syracuse University, USA.
4. Dr. Panagiotis Petratos, Vice President of ICT, ATINER, Fellow, Institution of Engineering and Technology & Professor, Department of Computer Information Systems, California State University, Stanislaus, USA.
5. Dr. Chris Sakellariou, Vice President of Financial Affairs, ATINER, Greece & Associate Professor, Nanyang Technological University, Singapore.
6. Dr. Michael P. Malloy, Director, Business and Law Research Division, ATINER & Distinguished Professor, McGeorge School of Law, University of the Pacific, USA.
7. Dr. Sharon Claire Bolton, Head, Management Research Unit, ATINER & Professor of Organizational Analysis - Head of School, The Management School, University of Stirling, UK.
8. Dr. Guthlac Nkem Kirk Anyalezu, Academic Member, ATINER & Professor, University of Phoenix & Austin Community College, Austin Texas, USA.
9. Dr. Angelos Tsaklanganos, Academic Member, ATINER & Professor, Neapolis University of Paphos, Cyprus & Emeritus Professor, Aristotle University of Thessaloniki, Greece.
10. Dr. Peter Yannopoulos, Academic Member, ATINER & Professor, Brock University, Canada.
11. Dr. Niyazi Kurnaz, Academic Member, ATINER & Associate Professor, Dumlupınar University, Turkey.
12. Dr. Wissal Ben Letaifa, Academic Member, ATINER & Assistant Professor, ESSEC Tunis Business School, Tunisia.
13. Dr. Ruslaina Yusoff, Academic Member, ATINER & Senior Lecturer, Mara University of Technology (UiTM), Malaysia.
14. Dr. Ladrón de Guevara Cortés Rogelio, Academic Member, ATINER & Researcher, Institute for Research & Advanced Studies in Management Sciences, University of Veracruz, Mexico.
15. Dr. Alina Maydybura, Academic Member, ATINER & Teaching Academic, University of Wollongong, Australia.
16. Ms. Olga Gkounta, Researcher, ATINER.

Administration

Stavroula Kyritsi, Konstantinos Manolidis, Katerina Maraki & Kostas Spiropoulos

Monday 25 May 2015

(all sessions include 10 minutes break)

08:00-08:30 Registration and Refreshments

08:30-09:00 (ROOM E-MEZZANINE FLOOR) Welcome & Opening Remarks

- Dr. George Poulos, Vice-President of Research, ATINER & Emeritus Professor, University of South Africa, South Africa.
- Dr. Peter Koveos, Head, Accounting and Finance Research Unit, ATINER, Greece & Professor of Finance, Syracuse University, USA.

09:00-10:30 Session I (ROOM E-MEZZANINE FLOOR): Corporate Governance

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

1. Lokman Mia, Professor, Griffith University, Australia, Thi Nguyen, Lecturer, University of Economics, Vietnam & Allen Huang, Senior Lecturer, Griffith University, Australia. MCS Information, Reward Systems and Managerial Performance: The Impact of Enterprise Ownership in a Transitional Economy.
2. Simona Rusanescu, Ph.D. Candidate, Universidad Jaume I, Spain & Belen Gill-de-Albornoz, Universidad Jaume I and IVIE, Spain. Foreign Ownership and Financial Reporting Quality: Evidence from Spanish Subsidiaries.
3. Juthamon Sithipolvanichgul, Ph.D. Student, University of Edinburgh, U.K. & Jake Ansell, Professor, University of Edinburgh, U.K. The Relationship between Corporate Governance, Enterprise Risk Management and Performance. (Monday, 25th of May 2015)
4. Imad Chbib, Senior Lecturer, University of Portsmouth, U.K. Board Composition and Corporate Performance: The Case of FTSE All Shares.
5. *Gopal Sinha, Lecturer, Dhofar University, Oman. Challenges Faced by Owners of Small and Medium Sized Enterprises in Oman and Initiatives Undertaken to Achieve Sustainable Economic Growth. (Monday, 25th of May 2015)

10:30-12:00 Session II (ROOM E-MEZZANINE FLOOR): Market Behavior

Chair: *Susanne Trimbath, CEO and Chief Economist, STP Advisor Services, LLC, USA

1. *Gregory Koutmos, Professor, Fairfield University, USA, Johan Knif, Professor, Hanken School of Economics, Finland & Dimitrios Koutmos, Assistant Professor, Worcester Polytechnic Institute, USA. Hedge Fund Styles and Alpha Returns: A Quantile Regression Approach.
2. *Bharat Kolluri, Professor, University of Hartford, USA, Mahmoud Wahab, Professor, University of Hartford, USA & Susan Machuga, Professor, University of Hartford, USA. Recent Performance of Emerging Asian Equity Markets and their Contribution to U.S. Equities. (Monday, 25th of May 2015, Presentation & Chair)
3. Song-Ping Zhu, Professor, University of Wollongong, Australia, Wenting Chen, Lecturer, University of Wollongong, Australia & Liangbin Xu, Student, University of Wollongong, Australia. Valuation of Stock Loans with a Stochastic Interest Rate Model.
4. *Muath Asmar, Assistant Professor, An-Najah National University, Palestine and Aristotle University of Thessaloniki, Greece. Returns of Contrarian and Momentum Investment Strategies in Exchange Traded Funds.

12:00-13:30 Session III (ROOM E-MEZZANINE FLOOR): Auditing, Controls and Fair Value

Chair: *Gregory Koutmos, Professor, Fairfield University, USA.

1. Salem Amara, Head of Accounting Department, Zawia University, Libya. Improving Performance Auditing Practice in the Libyan Public Sector.
2. *Vasant Raval, Professor, Creighton University, USA. A Disposition-Based Fraud Model: Theoretical Integration and Research Agenda. (Chair and Present on the Same Day)
3. *Linval Frazer, Assistant Professor, SUNY Old Westbury, USA. The Implication of Internal Control on Rational Actors and Deviation in Small Organizations: The Challenge of Sustaining Efficiency.
4. Karen Odendaal, Lecturer, Monash South Africa, South Africa. Acid Mine Drainage: Are South African Mining Companies Fulfilling Their Reporting Requirements?

13:30-14:30 Lunch

14:30-16:00 Session IV (ROOM E-MEZZANINE FLOOR): Special Topics in Finance

Chair: *Bharat Kolluri, Professor, University of Hartford, USA

1. *Peter Koveos, Professor, Syracuse University, USA & Yimin Zhang, Professor and Former Dean, University of Shanghai for Science and Technology, China. China's Financial Market Development: Drugs, Guts and Glory.
2. Abdullah Yavas, UW Real Estate Program Distinguished Professor, University of Wisconsin – Madison, USA. Impact of Large Investors in Distressed Housing Markets.
3. Bruno G. Ruttimann, Lecturer and Consultant, ETH Zurich, Switzerland. Measuring the Globalization Degree of Trade from 2003-2013: Is Globalization of Economy Coming to an End?
4. *Susanne Trimbath, CEO and Chief Economist, STP Advisor Services, LLC, USA. Systemic Failure in US Capital Markets: Lessons not Learned.

16:00-17:30 Session V (ROOM E-MEZZANINE FLOOR): Ethics and Market Practices

Chair: *Vasant Raval, Professor, Creighton University, USA

1. *Daniel Dupuis, Assistant Professor, American University of Sharjah, UAE. Governance and Short Sales.
2. Nitin Deshmukh, Lecturer, Middlesex University Business School, U.K., Ephraim Clark, Professor & Yacine Belghitar, Middlesex University Business School, U.K. Does Active Ethical Investing Pay – Evidence from the U.K.
3. Androniki Triantafylli, Lecturer, Queen Mary University of London, U.K. The Levers of Control Framework in Shipping Companies: A Mixed Methods Approach.
4. Andreas Jurt, Post-Doctoral Researcher, Case Western Reserve University, Weatherhead School of Management, USA. A Research Proposal to Improve Institutional Investors Decision-Making Ability Across Volatile Financial Markets: A Study of the Positive Impact of Mindfulness.
5. *Tor Brunzell, Stockholm Business School, Stockholm University, Sweden & Emmanouel Parasiris, Stockholm Business School, Stockholm University, Sweden. The Importance Attached by the Board of Directors on the CEO Report and the Company Reports: A Study of the Nordic Stock Exchanges.

17:30-19:00 Session VI (ROOM E-MEZZANINE FLOOR): Capital Structure and Markets

Chair: *Linval Frazer, Assistant Professor, SUNY Old Westbury, USA.

1. *Gary Entwistle, Professor, University of Saskatchewan, Canada, Ilona Bastiaansen & Ganesh Vaidyanathan. Exploring Capital Structure: An International Study of IAS 1

Disclosures of Firm Capital.

2. Mark Bunting, Associate Professor, Rhodes University, South Africa & Kevin Barnard, Associate Professor, Rhodes University, South Africa. Does Fundamental Analysis Using Historical Accounting Numbers Require the Contextual Partitioning of a Securities Universe? Evidence from the South African Equity Market.
3. Shahriar Khaksari, Professor, Suffolk University, USA & Abu Jalal, Associate Professor, Suffolk University, USA. Short-Term Capital Management and Efficiency: A Cross-Country Study.
4. Mehdi Dasineh, Faculty Member, Islamic Azad University, Bandar Abbas Branch, Iran & Fatemeh Moridi, Faculty Member, Islamic Azad University, Bandar Abbas Branch, Iran. The Relationship between Capital Structure and Cash Flows in Iran.
5. Fatemeh Moridi, Faculty Member, Islamic Azad University, Bandar Abbas Branch, Iran & Mehdi Dasineh, Faculty Member, Islamic Azad University, Bandar Abbas Branch, Iran. The Correlation between Capital Structure and Performance of Companies Listed in Tehran Stock Exchange.

19:00-20:30 Session VII (ROOM E-MEZZANINE FLOOR): Non-Profit and Management Accounting

Chair: *Daniel Dupuis, Assistant Professor, American University of Sharjah, UAE

1. *Nicholas Marudas, Associate Professor, Mercer University, USA, Julie Petherbridge & Russ Ciokiewicz, Mercer University, USA. Stickiness of Fundraising and Administrative Expenses of Nonprofit Organizations.
2. Mostafa Jazayeri, Senior Lecturer, Manchester Metropolitan University, U.K. Product development process with focus on target costing and role of accounting: a case study in premium Auto Company.

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

Tuesday 26 May 2015

08:00-09:30 Session VIII (ROOM E-MEZZANINE FLOOR): Financial Information and Reporting

Chair: *Susanne Trimbath, CEO and Chief Economist, STP Advisor Services, LLC, USA

1. Ahmed Shaik, Professor, DeVry University, USA. Financial Reporting Issues and Challenges - An Evaluation of Accounting Estimates and Their Impact on Quality of Financial Information.
2. Abdullah Al-Hadrami, Assistant Professor, University College of Bahrain, Bahrain & Sutan Emir Hidayat, Assistant Professor, University College of Bahrain, Bahrain. Forensic Accounting Education in Bahrain: A Survey on Educators' Opinion.
3. Anna Spoz, Assistant Professor, John Paul II Catholic University of Lublin, Poland. Reliability and Integrity of Financial Statements of SMEs, and the Security of Business Transactions.
4. Ionel Jianu, Assistant Professor, The Bucharest University of Economic Studies, Romania & Iulia Jianu, Associate Professor, The Bucharest University of Economic Studies, Romania. Quality Disclosure of Fair Value in the Financial Statements for Investment Property.

09:30-11:30 Session IX (ROOM E-MEZZANINE FLOOR): Market Models

Chair: Ahmed Shaik, Professor, DeVry University, USA.

1. Leoni Eleni Oikonomikou, Research Associate & Ph.D. Candidate, Georg-August Universitat Gottingen, Germany. Modeling Financial Market Volatility in Transition Markets: A Multivariate Case.
2. Jacinta Chan Phooi M'ng, Senior Lecturer, University of Malaya, Malaysia, Azmin Azliza Aziz, Senior Lecturer, University of Malaya, Malaysia & Rozaimah Zainuddin, Senior Lecturer, University of Malaya, Malaysia. Understanding the Nature of Oil Fluctuations Using 1 Neural Network Moving Average: A Study on the Returns of Crude Oil Futures.
3. Azmin Azliza Aziz, Senior Lecturer, University of Malaya, Malaysia & Jacinta Chan Phooi M'ng, Senior Lecturer, University of Malaya, Malaysia. Using Neural Network to Enhance Technical Trading Rules Returns: A Case with KLCI.
4. Marko Petrov, Ph.D. Student, Universidade Nova de Lisboa, Portugal and Universiteit van Amsterdam, The Netherlands, Joao Amaro de Matos, Associate Professor, Universidade Nova de Lisboa, Portugal & Ana Lacerda, Portuguese Permanent Representation to the EU, Belgium. Equilibrium Bid-Ask Spread of European Derivatives in Dry Markets.
5. Horatiu Regep, Ph.D. Student, West University of Timisoara, Romania. Weak Form of Market Efficiency Europe: Developed and Emerging Markets.
6. *Chih-Hsien (Jerry) Yu, Chair, Department of Finance and Economics, University of Baltimore, USA, Tsai-Yin Lin, Assistant Professor, National Kaohsiung First University of Science and Technology, Taiwan & Chia-Yi Lin, Assistant Manager, Capital Market Department, Mega Holdings Mega Securities Company, Taiwan. IPO's Long-Run Performance: Hot Market vs. Earnings Management. (Tuesday, 26th of May 2015, late morning)
7. Sergey Petrov, Associate Professor, Lobachevsky State University of Nizhny Novgorod-National Research University, Russia & Oksana Kashina, Lecturer, Lobachevsky State University of Nizhny Novgorod- National Research University, Russia. Valrasian Approach in the Capital Asset Pricing Theory and its Application for Active Portfolio Strategies in the Stock Exchange.

11:30-13:00 Session X (ROOM E-MEZZANINE FLOOR): Financial Reporting Standards

Chair: *Chih-Hsien (Jerry) Yu, Chair, Department of Finance and Economics, University of Baltimore, USA

1. *Peter Secord, Professor, Saint Mary's University, Canada. Imbedded Policy Choice within an IFRS Framework – An Empirical Study of Canada and Australia.
2. Julien Bilodeau, Professor, Universite de Sherbrooke, Canada & Daniel Bretones, Professor, ESCEM, France. The Adoption of New Gaaps by Canadian Universities: The Political Context and the Choices Made. (Tuesday, 26th of May 2015)
3. Andra Maria Achim, Ph.D. Student, Babes-Bolyai University of Cluj-Napoca, Romania. The Value Relevance of Financial Accounting Information after IFRS Adoption in Romania.
4. Sabrina Bellanca, Ph.D. Student, University of Mons, Belgium & Loredana Cultrera, Ph.D. Student and Teaching Assistant, University of Mons, Belgium. Compliance of the Public Accounts of the Member States of the European Union with IPSAS.
5. Susan Wild, Senior Lecturer, University of Canterbury, Christchurch, New Zealand & Chris van Staden, Professor, Auckland University of Technology, New Zealand. The Development of Integrated Reporting: A Paradigm of Regulatory Capture?

13:00-14:30 Session XI (ROOM E-MEZZANINE FLOOR): National Policies and Programs

Chair: *Peter Secord, Professor, Saint Mary's University, Canada

1. Maria Cantero Saiz, Assistant Professor, University of Cantabria, Spain, Sergio Sanfilippo Azofra, Associate Professor, University of Cantabria, Spain, Maria Begona Torre Olmo, Associate Professor, University of Cantabria, Spain & Carlos Lopez Gutierrez, Associate Professor, University of Cantabria, Spain. Trade Credit, Sovereign Risk and Monetary Policy in Europe.
2. *Carmem Leal, Assistant Professor, Universidade de Tras-os-Montes e Alto Douro, Portugal & Rui Silva, Lecturer, Universidade de Tras-os-Montes e Alto Douro, Portugal. The Impact of Major International Competitions (European and the World Championships) in the Audit Reports of Football Federations - The Portuguese Case. (Tuesday, 26th of May 2015)
3. Charles Andoh, Senior Lecturer, University of Ghana, Ghana. Sustaining the Special Programmes of the University of Accra Business School.
4. Malgorzata Magdalena Hybka, Associate Professor, Poznan University of Economics, Poland. Tax Arrears and Their Recovery Practices in Poland.
5. Olga Palczewska, Ph.D. Student, Poznan University of Economics, Poland. Value Added Tax in Poland–Basis of Functioning and its Efficiency.

14:30-15:30 Lunch

15:30-18:00 Session XII (ROOM G): Corporate Governance - CSR & Other Essays

Chair: *Carmem Leal, Assistant Professor, Universidade de Tras-os-Montes e Alto Douro, Portugal

1. Chang-Soo Kim, Professor, Yonsei University, South Korea. Determinants of the Performance of Microfinance Institutions.
2. Won Yong Kim, Assistant Professor, Dickinson College, USA, Taek-Yul Kim, Assistant Professor, West Chester University, USA & Suin Lee, Assistant Professor, Auburn University, USA. CEO Incentive Structure and Environment Performance.
3. Mark Gandey, Lecturer, Bishop's University, Canada. Stakeholder Theory Applied to Higher Education within Quebec, Canada.
4. Matthias Nnadi, Lecturer, Cranfield University, U.K. International Financial Reporting Standards Adoption, Banking Reforms and Earnings Management: Evidence from Nigerian Banks.
5. Jimi Siekkinen, Ph.D. Student, Hanken School of Economics, Finland. Impact of External and Internal Audit on the Value Relevance of Fair Values.
6. Mawih Shakir, Assistant Professor, Dhofar University, Oman & Zaroug Othman, Assistant Professor, Dhofar University, Oman. Auditor Quality and Firms Performance: Omani Experience. (Tuesday)

18:00-20:30 Urban Walk (Details during registration)

20:30- 22:00 Dinner (Details during registration)

Wednesday 27 May 2015
Cruise: (Details during registration)

Thursday 28 May 2015
Delphi Visit: (Details during registration)

Accounting

Andra Maria Achim

Ph.D. Student, Babes-Bolyai University of Cluj-Napoca, Romania

The Value Relevance of Financial Accounting Information after IFRS Adoption in Romania

Adoption of International Financial Reporting Standards (IFRS), together with the process of accounting convergence and harmonization, has brought substantial changes in the field of financial reporting. Having a fair image upon the relation between IFRS adoption and financial accounting quality is a key issue because IFRS have been adopted in several countries all over the world and the process is ongoing.

The primary goal of this study is to analyze the impact of the mandatory adoption of IFRS upon the value relevance of accounting information in the case of Romania. As stated in the literature, financial accounting quality can be generally quantified in three ways, through earnings management, timely loss recognition and value relevance methods. We choose to concentrate upon the value relevance method. Using a quantitative research methodology, the paper aims to demonstrate that there is correlation between accounting data and market prices. Since 2012, all listed companies on Bucharest Stock Exchange should disclose financial statements in accordance with International Financial Reporting Standards. Based on previous studies, we expect to find correlation between accounting earnings and stock returns.

The paper contributes to the accounting literature by providing empirical evidence upon value relevance of accounting figures in an emergent economy after the mandatory adoption of IFRS.

Abdullah Al-Hadrami

Assistant Professor, University College of Bahrain, Bahrain
&

Sutan Emir Hidayat

Assistant Professor, University College of Bahrain, Bahrain

Forensic Accounting Education in Bahrain: A Survey on Educators' Opinion

Since the beginning of the 21st century, the interest in forensic accounting started to increase noticeably; arguably the subject matter lends itself to the delivery of this topic in the accounting curriculum in universities. This study aims to explore the educators' opinion on the perceived importance of forensic accounting and integrating certain forensic accounting topics into the accounting curriculum in the universities in Bahrain. The study surveyed 34 accounting educators. The results indicated that the majority of the respondents are familiar with forensic accounting and expecting an increasing demand on it in the coming future. Additionally, the findings revealed that there is a consensus among all the accounting educators regarding the perceived importance of forensic accounting and integrating certain forensic accounting topics in the accounting curriculum. However, no significant differences were found among accounting educators as for the importance of forensic accounting and the integration of specific forensic accounting topics in the curriculum when they are grouped according to gender, educational level, academic rank, and years of experience. In light of these findings the study recommends that the accounting departments in Bahraini universities should be encouraged to offer a program that specializes in forensic accounting or at least offer a course in this topic in the accounting curriculum.

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Improving Performance Auditing Practice in the Libyan Public Sector

In an earlier article in a World Applied Sciences Journal (2013), the researcher reported the results of a survey and interviews of attitudes and perceptions of performance auditors and public sector managers about the nature and effectiveness of the current system of performance auditing (PA) in Libya. The results revealed that PA in Libya is still in its infancy due to the fact that Libya, as a developing country, lacks the information, internal control systems, performance measures and sufficient audit staff. Furthermore, the ambiguity of goals and objectives in public sector organisations, and the lack of performance indicators, the lack of sound financial reporting system, and the lack of a sound internal control system in the public sector are the main obstacles that face performance auditors while conducting PA. The purpose of this paper is to extend the earlier researcher survey by exploring the perceptions of performance auditors and public sector managers about how PA in the Libyan public sector can be improved. Furthermore, the participants were asked if they have any suggestion related to the PA system. A qualitative research method was used in this study, whereas sixteen semi-structured interviews were conducted with performance auditors and public sector managers (eight with each group). The results reveal that the PA system in Libya can be improved through the adoption of certain procedures, of which the most important are improving performance auditors' skills and attention being paid to PA by the legislative and administrative officials at higher levels in Libya.

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&

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Compliance of the Public Accounts of the Member States of the European Union with IPSAS

The aim of this paper is to analyze the implementation level of IPSAS in the European Union Member States. After a review of the literature, we classify, on the basis of a survey, the States according to their formal implementation level of IPSAS. We also analyze the types of accounting (cash basis accounting, modified cash basis accounting, accrual accounting, modified accrual accounting) used by the studied States. We conclude that there are important disparities between Member States, both for the application of IPSAS and for the type of accounting that is used. Furthermore, it appears that even if accounting systems used by the States comply, in practice, with IPSAS, they are not subject to legal provisions.

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&

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The Adoption of New Gaaps by Canadian Universities: The Political Context and the Choices Made

Canadian universities and, more specifically, those located in the province of Quebec¹ have operated in a difficult political and social environment in the last years. On the one hand, they often perceive themselves as underfunded and demand more money. On the other hand, the students and the Quebec government do not want to "pay more". In addition, many believe that these universities are not underfunded but are rather badly managed. It is in such a difficult context that Quebec universities had to adopt a new set of accounting practices in 2010.

First of all, using a sample of five carefully chosen universities, we will show how different Quebec universities are in terms of size and accumulated "wealth". We will then look at the profound impact the adoption of new GAAPs had on their financial statements. We will also try to explain that certain accounting policy choices may have been made as a consequence of the political, social and financial environment in which Quebec universities operate.

Our study is mostly exploratory in nature. No statistical testing will be performed.

¹ Higher education is the responsibility of provinces in Canada. For that reason, we present results for only one province since the political and financial context may vary amongst provinces

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&

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**The Importance Attached by the Board of Directors on the
CEO Report and the Company Reports:
A Study of the Nordic Stock Exchanges**

In this paper we study what importance the board of directors attach to the different parts of the CEO report and the Company reports. The study is performed as a survey among all publicly listed Nordic firms, where the chairperson is to answer her/his attachment of importance of the different reports on a scale from 1 (not important) to 5 (very important). The results indicate that the greatest importance of all the reports is considered the report about the Profitability/profit (4.7) in the financial report. In the operational report section, the most important attachment is given to the Outcomes (4.5). In the CEO report the Forecast (4.4) is considered to have the highest importance, closely followed by the Explanations of budget discrepancies (4.3). Also the responses reveal that smaller firms (Market capitalization) find the Explanations of budget discrepancies to be more important than larger firms, which also goes for firms with higher concentrated ownership compared to the firms with less concentrated ownership. And larger firms find that Forecast to be more important than smaller firms, as well as firms with higher concentrated ownership find Forecast to be more important than less concentrated ownership firms. A significant difference was found in that smaller firms attach more importance of firm Outcomes than larger firms, and finally firms with a higher Tobin's Q found the report on Profitability/Profit to be more important than firms with lower Tobin's Q, which also goes for firms with higher concentrated ownership. Further, the results indicate that 80 percent of the companies receive a CEO report month, while 20 percent receive the CEO report only prior to each board meeting.

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&

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Does Fundamental Analysis Using Historical Accounting Numbers Require the Contextual Partitioning of a Securities Universe? Evidence from the South African Equity Market

The premise underlying the practice of fundamental analysis is that the accounting numbers contained in financial reports are relevant to the prediction of security returns. The theoretical foundation for this proposition is well-established. However, empirical evidence is less clear on whether a contextual partition on the basis of value-growth or other characteristics is a necessary precondition for the efficacy of fundamental analysis. Accordingly, we investigate this issue in the frame of reference of the South African equity market for the eleven year period ended 30 June 2014. We find strongly robust results in support of the investment value of fundamental analysis in two specific frames of reference. Securities with good financial health outperform their weak counterparts in neutral portfolios of securities that have neither value nor growth characteristics, and also in portfolios of mid-sized companies. These return differences are both statistically and economically significant. In contrast, we find only inconclusive and counterintuitive results in the tails of our value, growth, big and small portfolio sorts.

Imad Chbib

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Board Composition and Corporate Performance: The Case of FTSE All Shares

The paper investigates three main mechanisms of corporate governance in terms of their impact on corporate performance. These mechanisms are board composition and ownership structure. The paper focused on the UK FTSE All Shares non-financial firms. The reason for excluding financial firms was mainly because of the different regulations that monitor the financial sector, and by excluding this sector from the study, more consistent findings can be obtained. The sample size arrived at 363 companies which survived at least four year in FTSE All shares between the year 2005 and 2010. The main hypotheses tested were whether board composition has impact on firm performance; ownership structure and type has an impact on firm performance. Correlation and multi-regression analysis were carried out to answer the research question. The results suggested a high positive association between board size and TQ, and insignificant association between board size and accounting-based performance measures (ROA and ROE). Little evidence was found in regard to the impact of independent board on firm performance. The results also concluded a negative association between blockholdings and performance after the financial crises in 2008, while insignificant relationship was observed before 2008.

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The Relationship between Capital Structure and Cash Flows in Iran

This paper investigates the relationship between capital structure ratios with heading sections of cash flows statement. In this research, we want to find out whether the capital structure has the effect on cash flows or not. The capital structure including debt, because of tax advantage causes cash flows increases. Therefore we examined 137 firms over the period 2006-2011 which were selected from Tehran stock exchange (TSE). We used current debt to asset, long debt to asset, current debt to equity, long debt to equity, total debt to asset, total debt to equity ratios as capital structure indices and cash flows from operating activities, returns on investments and servicing of finance, income tax, investing activities, financing activities and net cash flows as cash flows surrogate. Hypotheses of this research have been evaluated by using regression tests for example F-statistical and Durbin-Watson. Based on our sample we found significant relationship between variables of capital structure and cash flows.

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Iona Bastiaansen
&
Ganesh Vaidyanathan

Exploring Capital Structure: An International Study of IAS 1 Disclosures of Firm Capital

This exploratory study examines how a set of Canadian and German firms choose to follow the IAS 1 disclosure guidance on firm capital. In particular, it examines whether the firms decide to report a capital structure. For those firms that choose to report, it also examines the construction of the capital structure, both its numerator and denominator. Significant variation is found to exist, both within and between each country, in the propensity to disclose and in the constructions of the capital structures. This variation is found to exist irrespective of the firm's auditor or its industry affiliation. The study also finds large differences when comparing the leverage ratios based on the firm's disclosed capital structures, and where the ratios are recalculated using market values.

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The Implication of Internal Control on Rational Actors and Deviation in Small Organizations: The Challenge of Sustaining Efficiency

This study focuses on whether internal control in small organization can be used as a predictor of workplace deviation. The purpose of this study is to determine employees' perceptions of the internal control systems of their organizations, and to examine the relationship of internal controls and workplace deviation. Workplace deviation is defined in this study as any voluntary counterproductive behavior that violates organizational norms and causes some degree of harm to organizational functioning and ultimately their sustainability. The following variables are used in this study to quantify deviation: (a) fraud, (b) theft, and (c) waste. Internal controls in this study is defined as the process effected by those charged with governance, or management designed to provide reasonable assurance about the achievement of the entity's objectives. Five hundred and twenty four employees were selected through random sampling from 24 small companies, and multiple regression analysis was used as a predictive model tailoring the application of the Committee of Sponsoring Organization Treadway Commission (COSO) internal control integrated framework to analyze the data. The results indicated a statistically significant relationship at the 5% alpha level for all variables.

Mark Gandey

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Stakeholder Theory Applied to Higher Education within Quebec, Canada

Corporate Social Responsibility is pertinent to all forms of organizations, not only corporations. Within a context of higher education, Corporate stakeholder theory may be different, but the importance of social responsibility still exists. The primary stakeholders within the environment of a higher educational institute are students, government, unions, local community, suppliers, alumni, benefactors and the ecological environment. The interactions and relationships of these stakeholders to the institute are not the same as those of a profit seeking corporation. This paper will discuss some of the different considerations of corporate stakeholder theory (Freeman 1984) that are applicable to an institution of higher education. For example, the largest aspect of funding within a Quebec University is sourced from the provincial government. The students, while they may be considered clients in some context, do not provide the "lions-share" of the financing to Quebec Universities. This paper will outline examples of differences and similarities with Corporate Stakeholder Theory between profit seeking corporations and non-profit higher educational institutes.

Mostafa Jazayeri

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**Strategising Management Accounting:
A Case Study of New Product Design and Development
within Premium Auto Group (PAG) Company**

In this paper, we outline a practice theory approach to study the relationship between management accounting, strategy, and target setting in the new product design and development (NPD&D) process. Building on [Schhartzki, (1996, 2002, 2005); Whittington, (2001, 2003, 2006); Ahrens and Chapman, (2007); Jorgense and Messner (2010); Skaerbaek and Tryggestad, 2010], we explore where and how is the work of strategizing and management accounting within NPD & D process actually done; who does this strategizing and management accounting work; what are the common tools and techniques of strategizing and management accounting; and how the products of strategizing and management accounting are communicated and coordinated (Whittington, 2003). We find that the role of management accounting in the communication is essential to the co-ordination of arrays of the activities of multi-disciplinary teams and an extended network of participants in the new product design and development (NPD&D) process. This case also reveals that management accounting, including, in particular, a Balanced Targets Book (BTB) for each project, has evolved with, and is embedded in the Company's multi-disciplinary, team-based organizational structure. Its very comprehensive information system, the iterative top-down-bottom-up project management style and its culture. The complementary, reinforcing interaction among components and activities of this company's NPD&D process demonstrates the importance of strategizing and integration among processes within the business model, phases within the NPD&D process, and stages within the phases and activities within the stages.

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&

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Quality Disclosure of Fair Value in the Financial Statements for Investment Property

This study aims to identify how economic entities who apply IFRS present in the notes to financial statements the information regarding the calculation of fair value for investment property. In order to realize this objective, three hypotheses were established: Listed companies applying IFRS prefer the cost model for investment property measurement (H1); Listed companies applying IFRS present detailed information regarding the methods used to calculate fair value of investment property (H2); Listed companies applying IFRS present more information regarding the calculation of fair value for investment property in the notes to financial statement from a financial year to another (H3). For testing the hypotheses there were analyzed the financial statements for nine entities listed on the London Stock Exchange which present investment properties in balance sheet, both for 2009 and 2010 financial year. The results of the study confirmed the first hypothesis for entities not operating in the financial sector, while the second and third hypotheses have been invalidated.

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Stickiness of Fundraising and Administrative Expenses of Nonprofit Organizations

The stickiness of nonprofit organization (NPO) fundraising and administrative expenses, the equivalent to selling, general and administrative (SG&A) expenses of companies, is estimated for some of the largest U.S. NPOs. Stickiness is the percentage annual increase in an expense when total revenues increase from the prior year less the percentage annual decrease in an expense when total revenues decrease. This is the first paper to estimate directly the stickiness of NPO fundraising and administrative expenses. Results show that administrative expenses and fundraising expenses are very sticky. A one percent increase in total expenses is associated with a 0.36% increase in administrative expenses, but a one percent decrease in total expenses is associated with only a 0.12% decrease in administrative expenses. A one percent increase in total expenses is associated with a 0.28% increase in fundraising expenses, but a one percent decrease in total expenses is associated with a 0.10% *increase* in fundraising expenses. NPO expenses appear to be much stickier than SG&A expenses of companies. Unlike for SG&A expenses of companies, neither lagged decrease in total expenses nor capital intensiveness was found to affect the stickiness of NPO expenses.

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MCS Information, Reward Systems and Managerial Performance: The Impact of Enterprise Ownership in a Transitional Economy

The extant literature suggests that reward systems influence managers' use of the information provided by management control systems (the MCS information) and managerial performance (MP). The literature also suggests the influence may be contingent upon factors related to organisation, industry, economy and culture. Earlier studies examine the impact of contingency factors, namely organisational structure, leadership style, environment, and culture on managers' use of MCS information and MP. In a transitional economy, however, such studies are few and far between. While managers' use of the MCS information and enterprise ownership may play important roles in a transitional economy such as in Vietnam, these roles may be different from those in developed economies. Using data from enterprises in Vietnam (a transitional economy), this study examines (a) if there is a relationship between managers' reward systems and their performance, and (b) if managers' use of the MCS information and enterprise ownership plays any role in the relationship. In total, 191 department managers working in state owned, private owned, and foreign owned enterprises in Vietnam participated in the study. The findings indicate that managers' reward systems are positively associated with their performance directly and also indirectly via the managers' use of the MCS information. In other words, managers' use of the MCS information plays a significant mediating role in the relationship between the reward systems and performance. However, the results by ownership type reveal that in the case of state owned enterprises the direct relationship between reward systems and managers' performance does not exist. Implications of the results are discussed in the paper.

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The Correlation between Capital Structure and Performance of Companies Listed in Tehran Stock Exchange

The present study seeks to evaluate the impact of management financing decisions on performance and also the performance effects on these decisions in the companies listed in Tehran Stock Exchange. In this study has studied data on 176 companies listed in Tehran Stock Exchange for 5 years (2008- 2012). Indicator of capital structure is the ratio of long-term liabilities to total assets and to evaluate the performance the extra-organizational performance and the indicators of return on assets and sales growth are used. All variables are adjusted according to the type of industry. To adjust, the mean of each industry data is calculated and is deducted from the data related to each company. In this study, three main hypotheses have been proposed, and for each hypothesis, one model, and a total of three models have been designed that are fitted regard to the results of statistical tests. To test the research hypotheses multiple regression method has been used. The results confirm the interaction between management financing decisions and the performance of listed companies in Tehran Stock Exchange. It can be concluded that, in the Iranian capital market, the management considers the corporate performance in its financing decisions and the corporate performance is also affected by these decisions.

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**International Financial Reporting Standards Adoption,
Banking Reforms and Earnings Management:
Evidence from Nigerian Banks**

This study examines stock market reaction, impact of both IFRS adoption and the Central Bank of Nigeria (CBN) reforms on earnings management in Nigerian banks. The result indicates no evidence of any significant immediate market reaction to the event but a negative reaction in the medium term. Our finding highlights a mixed impact of IFRS adoption on earnings management; earnings management increased in early IFRS adopters but decreased in late adopters in the post adoption period. The result also shows a decrease in earnings management in the post CBN reforms. These results have signal effect on investors.

Karen Odendaal

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Acid Mine Drainage: Are South African Mining Companies Fulfilling Their Reporting Requirements?

On a global basis, and specifically in third world countries, the availability and access to clean, hygienic drinking water is scarce. Concerns are increasing that the availability of freshwater supply is being exacerbated by pollution and a contributor to water pollution is due to acid mine drainage resulting from mining operations through the oxidation of pyrite and leaching of sulphide minerals.

Literature indicates that various research studies are being performed on acid mine drainage, aiming to find possible solutions to rectify a history of unattended acidic water problems, as well as possibilities regarding the purification of polluted water. Research solutions however cannot be implemented and successfully executed without proper planning regarding the budgeting, costing, monitoring and remediation of the solutions, as well as the appropriate accounting, accountability and reporting of all aspects concerning the obligations related to acid mine drainage.

The purpose of this study is to determine the compliance of mining operations with the reporting regulations applicable to them with regards to acid mine drainage. A qualitative literature review was conducted to determine the financial and regulatory reporting requirements for mining companies related to acid mine drainage. Each reporting requirement was analysed with respect to international financial reporting standards and the applicable South African environmental legislation. A qualitative content analysis was performed on listed gold mining company cases in South Africa to determine compliance with reporting requirements.

This study contributes to existing literature in that it examines the adherence of mining companies to financial reporting regulations related to acid mine drainage. The results should be of interest to any researcher, government, company or individual that find interest in the costing and financial information pertaining to the pollution of water through mining activities. The results indicate that the disclosure by gold mining companies in respect to their obligations for the remediation of environmental pollution due to acid mine drainage was limited and vague and admittance to any responsibility is neglected. This creates a basis that can inform further research into this matter with respect to insights and suggestions for these mining companies.

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A Disposition-Based Fraud Model: Theoretical Integration and Research Agenda

For several decades, most discussion on financial fraud has centered on the fraud triangle, which has evolved over time through various extensions and reinterpretations. While this has served the profession well, a void exists in the identification of the human side of the act. This research is dedicated to developing a model to explain the role of human desires, intentions, and actions in indulgence of, or resistance to, the act of financial fraud. Evidence from religion, philosophy, sociology, and social psychology is integrated to identify and support a new fraud model, called the disposition-based fraud cycle (DFC). To articulate the model, its two primary components, disposition and temptation, are further developed and extended. Although generally applicable any act of fraud, the paper primarily focuses on the executive fraud. The similarities and differences between the DFC and theory of planned behavior, fraud triangle, and Hunt and Vitell model are discussed. Additionally, some of the previously undecipherable mysteries of financial fraud are interpreted using the DFC model, suggestions for further research are offered, and the DFC's strengths and limitations are noted.

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&

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Foreign Ownership and Financial Reporting Quality: Evidence from Spanish Subsidiaries

We provide empirical evidence on the relation between foreign shareholding and financial reporting quality in a sample of large private Spanish subsidiaries. We find that, compared to local group subsidiaries, foreign controlled firms have higher magnitude of discretionary accruals and higher probability of receiving an unclean audit report. Additionally, we observe that both the magnitude of discretionary accruals and the probability of receiving a modified audit report significantly decrease with the tenure of the local controlling shareholder. In contrast, the financial reporting quality of foreign group subsidiaries does not change with the tenure of the controlling shareholder. Moreover, the accruals quality of subsidiaries which have both a local and a foreign parent company throughout the sample period is lower (higher) during the years with foreign (local) control. Overall, results suggest that the informational disadvantage of foreign shareholders prevents them from playing an effective governance role in the setting analyzed.

Peter Secord

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Imbedded Policy Choice within an IFRS Framework – An Empirical Study of Canada and Australia

International Financial Reporting Standards (IFRS) consist of a broad range of principles-based accounting standards. In the effort to gain wide acceptance, many of the individual IFRS have included both overt and covert options and vague criteria, as well as opportunities for interpretation and variation in measurement estimations. Some researchers (e.g., Nobes 2006) have argued that the flexibilities within IFRS provide numerous opportunities for pre-existing differences in financial reporting practices of companies in IFRS adopting countries to survive. The factors that caused national accounting systems to be unique will continue to play a role in shaping the financial reporting practice of companies in countries that have adopted IFRS. Previous empirical studies have provided evidence of the survival of international difference under IFRS.

Since the Canadian requirement to adopt IFRS is for financial periods beginning on or after 1 January, 2011, public companies released their financial statements prepared under the IFRS requirement for the first time in 2012. This portion of a larger annual report study involves the extraction of key data from the 2011 and 2012 annual reports of Canadian banks, and a direct comparison of several key accounting policies as applied in each of the two years, with a comparison with the same policy choices of banks in Australia at the time of IFRS adoption there. In this process, we will examine the related questions associated with enhanced comparability (harmonization) or lack thereof as a result of the persistence of imbedded differences as described above, and will continue this analysis into years subsequent to the change to reveal if harmonization has appeared on a lagged basis.

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Financial Reporting Issues and Challenges - An Evaluation of Accounting Estimates and Their Impact on Quality of Financial Information

The primary objective of Financial Reporting to provide information that is useful in making investment decision and is referred to as decision usefulness. Decision usefulness of Financial Statements depends up on the qualitative characteristics of the information. The fundamental qualitative characteristics of Relevance and Faithfull Representation can be enhanced with the quality of Comparability among other enhancing qualities. It is a challenging task for the users of Financial Statements to compare the financial health of one company with that of the other company in the same industry, as every company uses its subjective estimates to arrive at the value of a financial item reported in the Financial Statements. This paper is an attempt to list several areas where subjective accounting estimates are used by the reporting units and how these estimates distort the quality of financial information

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&

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Auditor Quality and Firms Performance: Omani Experience

The main objective of this study is to investigate and analyze the effects of auditor quality (big four auditors and non- big four auditors) on the profitability and risk in three sectors (industrial, finance and service) in Sultanate of Oman.

The study analyzed the annual reports for total 112 companies listed on the Muscat Securities Market (MSM) for 2009-2013.

The auditor quality is measured by big or non- big four audit firm. Profitability is measured by return on assets (ROA) and return on equity (ROE). Market performance is measured by market value of shares, while the risk is measured by leverage.

The results of statistical analysis indicate that there are positive correlations and regression at 5% levels of significance between Big/non Big and ROE and MFV since the *Sig.* value (0.021) is less than (0.05). R-Squares are not supporting the results because they are very low.

In industrial sector, MANOVA test showed that the Big/non Big has a significant effect only on ROE. R-square is 13% which means that the Big/non Big interpret only 13% of any changing in ROE. There are no any effects for Big/non Big on the other dependent variables.

In finance sector, MANOVA test showed that the Big/non Big has a significant effect only on MFV. R-square is 28% which means that the Big/non Big interpret only 28% of any changing in MFV. There are no any effects for Big/non Big on the other dependent variables.

In services sector, MANOVA test showed that the Big/non Big has a significant effect only on MFV. R-square is 22.3% which means that the Big/non Big interpret only 22.3% of any changing in MFV. There are no any effects for Big/non Big on the other dependent variables.

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Impact of External and Internal Audit on the Value Relevance of Fair Values

This paper examines the value relevance of fair values in the fair value hierarchy as stipulated by International Financial Reporting Standard (IFRS) 13, and further, whether external and internal audit is associated with the value relevance of fair values. More specifically, whether external audit such as the size of the local audit office and size of non-audit fees, and internal audit such as audit committee independence, size, and frequency of meetings affect the value relevance of fair values. IFRS 13 requires firms to disclose a fair value hierarchy containing three levels: Level 1 (quoted prices in active markets), level 2 (inputs other than quoted prices that are observable either directly or indirectly) and level 3 (unobservable inputs generated by entities). First, by analysing financial firms from 28 European countries, this study finds evidence that all fair value assets and liabilities, irrespective of the level in the fair value hierarchy, are value relevant for investors. Second, the results indicate that audit committee, audit office size, and non-audit fees have a positive association with the value relevance of level 3 fair value assets. Audit committee size and frequency of meetings does not affect the value relevance of fair values. The findings indicate that firms with high audit committee independence, firms with auditors from larger local offices and firms with higher non-audit fees seem to disclose fair value estimates with the highest value relevance. Hence, standard setter should require firms to engage auditors from larger local offices, request more consulting service from the audit office, and require more independent audit committees in order to reduce the information risk associated with fair value accounting.

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Challenges Faced by Owners of Small and Medium Sized Enterprises in Oman and Initiatives Undertaken to Achieve Sustainable Economic Growth

The Sultanate of Oman is very beautiful, peaceful and certainly one of the most civilized countries in this world to live, work and carry on businesses. The business environment in Oman offers tremendous opportunities to all kinds of entrepreneurs. Small and Medium size Enterprises (SMEs) in Oman are playing important role in the development of the country. Different countries define small and medium enterprises differently but the nature of challenges that these enterprises face today are more or less the same in many countries. This paper provides insight into different definitions of SMEs that are provided by some developed and developing countries and highlights a number of challenges that SMEs face today like accounting, administrative, financial, managerial, marketing and other related issues. SMEs are considered fuel and engine for growth and are backbone for any economy. SMEs add value to the national economy and play significant role in the development of the economy by creating employment opportunities for others including self employment. To tackle challenges at different levels, Government of Oman has undertaken many initiatives and launched various programs to give boost to SMEs in Oman. Manufacturing and service sectors have been identified as thrust areas where SMEs can be developed and play crucial role. With the establishment of Centre for Entrepreneurship and/or Entrepreneurship Academy in Oman, a new breed of entrepreneurs is bound to emerge in the international arena sooner or later so as to achieve sustainable economic growth and help to achieve higher level of social, economical and political development. This paper does not use descriptive research design but uses secondary data available from various websites.

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&

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The Relationship between Corporate Governance, Enterprise Risk Management and Performance

In the period of SOX revolutionised, corporate governance gain much attention and become mandatory for Listed Companies. The notion Enterprise Risk Management (ERM) also has extensively been developed as a holistic risk management to gain better understanding of risks and controls process led to improve general resilience and robustness of the enterprise to achieve their objectives. Recent world crises have support ERM implementation as a top priority to be considered by most firms. Corporate governance and ERM practice are today significant debates on perceptive of value creation. This paper is exploratory analysis examined a broad measurement of cooperate governance and the stage of ERM implementation of Thai listed companies finding relationship with firm performance measurements. Corporate governance score based on a composite measure of 14 factors and 40 factors of ERM components underlying ERM score. We found that better-governed companies are relative to Tobin's Q. When gathering ERM score and CG score with appropriate control variables, it was found that better ERM stage is positive significant related to firm values including Tobin's Q, ROE and ROA but no addition increase in value for firms achieving cooperate governance structure.

Anna Spoz

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Reliability and Integrity of Financial Statements of SMEs, and the Security of Business Transactions

Small and medium enterprises are a crucial element of the European economy, which is confirmed by statistical data according to which such companies constitute 99% of all the enterprises in the European Union, employ two thirds of all the people employed in the enterprise sector and their share in GDP is significant as it amounts to 60%.

The increasing globalization and the development of information and communication technologies result in the growing number of business partners an average enterprise will have and consequently in the bigger number of commercial transactions completed. More and more often these transactions will be carried out at a distance. The degree financilisation of economy also increases.

Commercial transactions are always accompanied by a certain risk which contractors try to minimize by analyzing economic and financial standing of their business partners. Crucial role in this process are the financial statements of its business partners. These reports present assets and financial condition of an enterprise as well as its financial results and because of that they become a kind of an identity document for a company. Decisions based on such analysis are right as long as the financial reports are reliable and integrity prepared. There appears a question of standards small and medium enterprises should prepare their financial statements - in accordance with the national or international standards. The international standards are more laborious but they are easier to compare by foreign contractors. On the other hand they give a chance to establish wider business contacts. The European Commission noticed this problem and it introduced International Financial Reporting Standards for SMEs.

The main purpose of this article is to draw attention to the importance of the credibility and reliability of the financial standards as one of the determinants of business transaction security.

In this article, will use the following research methods - analysis of the domestic and foreign literature in the field of accounting and the method of deduction.

Susan Wild

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&

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The Development of Integrated Reporting: A Paradigm of Regulatory Capture?

Purpose - This paper provides empirical and theoretical analysis of the content of submissions by respondents to the International Integrated Reporting Council (IIRC) April 2013 Consultation Draft of the International Integrated Reporting Framework (the IR Framework). In addition it provides analysis of the content and structure of the corporate integrated reports published on the IIRC Emerging Examples Database over the period prior and subsequent to the publication of the final version of the IR Framework in December 2013. The purpose of this research is to provide insights into the processes and influences on the development of IR, a new reporting mode which is claimed as representing a fundamental shift away from the traditional focus of financial reporting, and to assess the potential that dominant industry players have 'captured' integrated reporting.

Design/methodology/approach - Integrated reports published on the IIRC database in the years 2013 to 2015 were analysed for company information, report information and report content, and evaluated as to the extent that these adhere to the integrated reporting (IR) guiding principles and content elements. In addition, the submissions to the April 2013 Consultation Draft of the Framework were analyzed on variables of industry type and content. The paper is informed by a Capture Theory approach in its evaluation of the extent of industry influence over the development of IR.

Findings - Our study found that the financial services industry was the largest industry group that provided submissions to the (IIRC) 2013 Consultation Draft of the International IR Framework. The analysis also revealed that the incidence of IR is dominated by the financial services industry. In addition it found that reporting companies failed to achieve all 5 IR guiding principles, and that there was a low level of responsiveness to stakeholder inclusiveness. This suggests that the reports (and indeed business operations) are still focused only on the shareholder group's needs rather than those of stakeholders more generally.

Originality/value - This study is important as it provides insights into the processes of the development of new accounting regulation, and suggests the extent to which IR has been subject to the influence of

particular industry groups' interests rather than being neutral in its outcome.

Finance

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Sustaining the Special Programmes of the University of Accra Business School

We develop mathematical models to assist management of Accra Business School to determine how much of its internally generated funds can be ceded to Accra University every semester. We also develop conditions for assessing the number of students to be admitted in each Special Programme for its sustainability incorporating the cost each Special Programme imposes on the School. Using data from the Finance directorate of the School, the departments where these Special Programmes are run, the EMBA office, the IT division, we observe that there is generally a downward trend in profits. In addition the operations of the School are viable in the first sixteen years and that not more than forty-three percent of funds generated can be ceded to University of Accra within this period. Management of the School must take steps to cut down unnecessary expenses to save the operations of these Special Programmes.

The models can be useful to any Business School interested in the sustainability of its operations. It should also be useful to any investor interested in setting up its own Business School.

We have adopted a pseudo-name to protect the identity of the institution on which this study was contacted because of the sensitive nature of the information for the analysis.

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Returns of Contrarian and Momentum Investment Strategies in Exchange Traded Funds

Empirical studies concerning the existence of contrarian and momentum strategies on exchange traded funds (ETFs) are still scarcely. This paper examines the profitability of contrarian and momentum trading strategies of the ETFs traded in U.S markets. Using a unique sample of ETFs traded during the last two decades, this study examine several investment strategies based on various and asymmetric lengths of ranking and holding periods. Results indicate that the contrarian and momentum strategies produce significant profits. Further analysis reveals that microstructure biases has no effect on the existence of contrarian and momentum strategies, which indicates that miscalculation biases is a matter regarding the contrarian and momentum trading strategies of the ETFs traded in U.S markets. The results are robust even after returns are adjusted for risk using Fama and French's three-factor model and the global financial crisis.

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&

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Using Neural Network to Enhance Technical Trading Rules Returns: A Case with KLCI

In this paper, we describe the profitability of technical trading rules which are enhanced by the use of neural networks. The profitable returns on Kuala Lumpur Composite Index, a proxy of the Malaysian stock market traded in Bursa Malaysia from 2/1/2008 to 31/12/2014 offer a piece of evidence on the ability of technical trading rules using neural networks to outperform the threshold benchmark, buy-and-hold. The results here suggest that it is worthwhile to design, build and develop more robust, machine learning algorithms to enhance portfolio returns.

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Trade Credit, Sovereign Risk and Monetary Policy in Europe

The main purpose of this article is to analyze how sovereign risk influences the use of trade credit, both directly and through the monetary policy.

Trade credit is considered a substitute source of funding when bank loans decrease, such as during monetary tights (Meltzer, 1960) and during financial crisis (Coulibaly et al., 2013). Since the onset of the financial crisis, greater sovereign risk has increased the cost and reduced the availability of some euro area banks' funding, leading to a sharp reduction in lending supply (CGFS, 2011). This reduction in lending has forced firms to look for alternative sources of finance, such as trade credit. However, sovereign risk has affected other segments of funding like the capital markets, which have made firms to be financially constrained (ECB, 2012). These financial problems have reduced firms' willingness to provide trade credit. Additionally, greater sovereign risk has increased the credit risk and the probability of default of national firms (Bedendo and Colla, 2013). This fact has led to a deterioration of their creditworthiness, thus reducing their ability to extend and receive trade credit. In this context, the effectiveness of trade credit as a substitute of bank financing has been reduced.

Using a sample of 17,366 firms from the Eurozone between 2005-2012, we find that during the crisis, as sovereign risk rises, trade credit received also increases, but only when sovereign risk is low-moderate. However, when sovereign risk is high, trade credit received declines as sovereign risk increases. On the contrary, during the crisis trade credit supply and net trade credit decrease as sovereign risk rises. Our results also show that trade credit does not increase in countries with high sovereign risk following a monetary contraction. This evidence does not support the hypothesis that trade credit can be a substitute source of finance for bank credit when sovereign risk is high.

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Understanding the Nature of Oil Fluctuations Using 1 Neural Network Moving Average: A Study on the Returns of Crude Oil Futures

Understanding the nature of the stochastic behavior of oil fluctuations is of crucial importance for decision and policy makers not only in the financial markets and at national level economies (Nazlioglu et al. 2013, Cevik and Sedik, 2011, Ajanovic, 2011, Chang and Su, 2010). Thus, academic studies to explain the trend in prevailing prices are in the order of the day (Cashin and Pattillo, 2000, Cashin and McDermott, 2001, Cevik and Sedik, 2011). The oil crisis has become a controversial issue as the oil prices record extreme movements with this high volatility attributing largely to the high demand in midst of low and unstable supply due to geopolitical conflict (Kilian, 2009). Excessive speculation activities in the commodity and futures markets also contributed to this high volatility (Singleton, 2012). In view of these factors, this study arises to propose a simple 1 layer Neural Network enhanced technical indicator Moving Average, coined 1NN-MA, to investigate the characteristics of crude light oil futures (FCLO) prices traded in the world's largest exchange, Chicago Mercantile Exchange (CME) and decipher trends in the behavior of its returns from 2001 to 2014, a period spanning across periods of oil crises, booms and busts.

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Ephraim Clark

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&

Yacine Belghitar

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Does Active Ethical Investing Pay - Evidence from the U.K.

This is the first study to use Marginal Conditional Stochastic Dominance to compare the performance of UK based ethical funds with similar conventional funds using a matched pair analysis. We match them by size, age, investment universe and fund management company. We do not find any significant differences in the performance of the two types of funds, this finding is in line with previous studies. However, in contrast with previous studies, we find strong evidence that both ethical and conventional funds out perform their benchmark market portfolios. Additionally, this dominance is resilient to the effect of fees. The second crucial finding of this study is that ethical fund managers have superior stock picking abilities. Given that ethical fund managers have a smaller investment universe to choose from, ethical funds not only match the performance of similar conventional funds but also beat the market in almost 50 percent of the cases.

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Governance and Short Sales

This paper investigates the relationship between short sales and governance. We argue that short sales are reversely linked to the overall level of corporate governance of a firm and that sellers react contemporaneously to changes in such governance. Our results show that short traders may also be able to forecast or influence changes in corporate governance and adjust their portfolios accordingly *prior* to the said changes. This reaction is asymmetric, with a pronounced increase in short positions for actual and anticipated negative changes in governance and a more subdued repurchase of shorted stock for positive expectations. We provide empirical evidence consistent with the notion that short sellers are informed investors and can generate a profit from corporate events by using analytical prowess or manipulative practices such as the record-date capture technique.

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Tax Arrears and Their Recovery Practices in Poland

Financial crisis is usually accompanied by growing of tax compliance risks. Worsening economic conditions make tax administrations face new challenges related to decrease in tax revenue and increase in tax arrears. For this reason efficient and transparent practices of tax arrears recovery play even more important role during and after the financial crisis than before this crisis. The paper focuses on the practices of the collection of the tax debt applied by Polish tax authorities. On the basis of the data published by the Ministry of Finance it first analyses the size and the structure of tax arrears in Poland in the years 2004-2013. The second part of this paper concentrates on the procedures implemented in order to safeguard tax revenue collection and procedures of enforcement of tax arrears. The last part is devoted to the provisions included in the Polish Tax Ordinance Act concerning the remission of tax arrears.

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**A Research Proposal to Improve Institutional Investors
Decision-Making Ability across Volatile Financial Markets:
A Study of the Positive Impact of Mindfulness**

We conducted, to our knowledge, the first empirical study of mindfulness with respect to institutional investor's quality of investment decisions and their realized performance from 2007 to 2011. This period fits well a highly volatile market environment before and after the financial meltdown of 2008. Our hypotheses were derived from semi-structured interviews with institutional investors, the results of which provided the framework for modeling institutional investor's presence of mindfulness and its impact on financial returns. Survey responses from 347 institutional investors, 90% out of them are from U.S., revealed surprising insights about the effect of individual mindfulness on actual performance during the turbulent 2007-2011 period. Results suggest that mindfulness has a strong positive impact on high reliable and effective decision-making when mediated by absorptive capacity, delivering sustainable above risk-adjusted benchmark returns (alpha returns). Surprisingly, we found that graduate education has significant negative impact on decision-making and financial return on professionally managed portfolios. A positive stance of institutional investors toward learning orientation, when mediated by absorptive capacity, improves the quality of investment decisions.

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&

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Short-Term Capital Management and Efficiency: A Cross-Country Study

We study the short-term capital management decisions of firms using a large panel data from 78 countries over 26 years. In addition to static measures (such as cash ratio), we concentrate on the dynamic measures that include cash, receivables, inventory, and payable cycles. By studying international data, we attempt to test the effects of a number of country-specific and industry-specific dimensions on the short-term capital management decisions of firms. A wide variability in the practices of the corporations across different countries allows us to investigate the significance of short-term capital management under various regulatory regimes. Furthermore, we attempt to establish the source of value for a firm from these efficiency improvements.

Our empirical findings show that there are significant effects on the firm's profitability and growth opportunity from lowering cash, receivables, and inventory cycles. The improvements in payables cycle have little effect. More importantly, these effects are significantly non-linear indicating that these effects tend to be more significant when firms are highly inefficient. Marginal improvements in short-term capital management efficiency when firms are already fairly efficient are not very important.

We find significant variability in the effects of these variables on the future activities of the firms. Firms that experience improvements in these dynamic measures lower their cash holdings and increase capital investments in the subsequent period. This indicates that these efficiency improvements help firm allocate their resources more efficiently towards long-term growth. Our findings helps clarify the contradictory findings in the literature that firms in developing countries have more investment needs, but they also hold more cash balance. We show that firms with greater efficiency improvements in short-term capital management can in fact free up additional cash to invest in long-term projects.

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Determinants of the Performance of Microfinance Institutions

The performance of microfinance institutions is a very important and critical issue. Good performance of microfinance institutions helps them to ensure donations effectively and is a basic requirement for institutional sustainability. Microfinance institutions have to achieve two fundamental goals, social and financial. Although social goal is important, if microfinance institutions are not sustainable in terms of financial performance, the social goal cannot be satisfied.

This study investigates the financial performance of microfinance institutions in South Asian region, focusing on two countries, Bangladesh and Sri Lanka. In Bangladesh, Professor Mohammad Yunus introduced microfinance pilot project in rural area in the 1970s. The pilot project was converted to a formal microfinance institution in early 1980s. After that, many NGOs such as BRAC and ASA started microfinance activities in the country. In Sri Lanka, the government started microfinance activities in 1980s as a poverty reduction strategy. The number of microfinance institutions has increased rapidly in the last two decades, since government started new social safety net program in 1995 to reduce poverty among people. Although there are many microfinance institutions, their financial performance is not always good enough to serve the goal of poverty reduction.

We find that the profitability of microfinance institutions in Sri Lanka is worse than that in Bangladesh. This paper attempts to figure out factors contributing to the lower profitability of Sri Lankan microfinance institutions. The results indicate that the lower profitability is caused by cost side rather than revenue side factors. The total cost of running microfinance institutions is higher in Sri Lanka than in Bangladesh. Moreover, administrative personnel costs are too high and the costs spent on loan officers are too low. This result indicates that controlling overall costs is important, but the composition of costs is also important for a sustainability of microfinance institutions.

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&

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CEO Incentive Structure and Environment Performance

As environmental concerns have been widely spread in the last decade, the role of business sectors for the clean earth is emphasized more and more. Porter and Claas (1995) insist that well-designed environmental regulation may improve corporate competitiveness by enhancing the innovation (Porter's hypothesis). If Porter's hypothesis holds, good environmental performance should lead higher firm value since it increases future potentials of the firm (Klassen and McLaughlin, 1996; Dowell *et al.*, 2000; Konar and Cohen, 2000).

CEO incentive structure has been widely used to align managerial behavior with shareholders' interest. CEO incentive structure to take sufficient level of risks may be a critical drivers to prevent managers to extract wealth from the firm (Chen *et al.*, 2006; Coles *et al.*, 2006; Mehran, 1995; Murphy, 1999; Rajgopal and Shevlin, 2002). However, at the same time, it may increase the possibilities for managers to take excess amount of risk and to focus on short-term investment (Bebchuk and Spanmann, 2010; Bolton *et al.*, 2011). Because environmental performance is highly related with long-term performance, the paper tries to find the relation between CEO incentive structure and environmental performance.

In order to measure the environmental performance, we use dummy variable whether a firm voluntarily files the sustainability reporting to Global Reporting Initiative (GRI). The result shows that higher proportion of cash compensation is negatively related with environmental performance. In addition, we use "vega" as a measure of CEO incentive to take more risk (Coles *et al.*, 2006). We find that higher vega is positively related with environmental performance. The results imply that CEO incentive structure to take sufficient level of risks may improve environmental performance since it makes managers to focus on maximizing the firm value.

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&

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Recent Performance of Emerging Asian Equity Markets and their Contribution to U.S. Equities

We examine the historical investment performance of nine Emerging Asian equity markets and their return/risk contribution to U.S. equities. We combine Emerging Asian equities with U.S. equities to form a so-called *Global equity portfolio*, and use two approaches to investigate the contribution that Emerging Asian equities have made to U.S. equities. The first approach compares *unconditional mean returns* on the *Global equity portfolio* to those of the U.S. equities. Statistically significant differences between unconditional mean returns on the *Global equity portfolio* and U.S. equities would provide evidence in favor of a positive contribution of Emerging Asian equities to U.S. equities. The second approach compares their respective *unconditional Sharpe ratios*, a popular investment performance metric used by both academics and practitioners. We analytically derive optimal utility-maximizing asset allocation weights (re-estimated and recalibrated on a rolling weekly basis) to use in constructing the *Global equity portfolio* in order to achieve maximum returns with minimum risk on that portfolio.

Our Asian equity markets investment strategy is referred to by the *Asian equity Spread portfolio*, which will constitute the core of our Asian equities' investment strategy. The *Asian equity Spread portfolio* includes only two investment positions instead of several at the same time. One position is a *long* position in the best performing Asian equity market, while the second is a *short* position in the *worst* performing Asian equity market. A critical component of the Spreading strategy needed for constructing and rebalancing the *Asian equity Spread portfolio* is development of an approach for deriving optimal *rolling weekly Spread ratios*. To this end, we use the same utility-maximization framework used for deriving optimal asset allocation weights for the *Global equity portfolio*. Once the optimal *Asian equity Spread portfolio* is configured, it is then combined in a long position with a long U.S. equity investment position to form the *Global equity portfolio*. To construct our *Asian equity Spread portfolio*, we re-select the best and worst performing Asian equity market on a rolling weekly basis. Rolling estimation and re-optimization of the *Asian equity Spread portfolio*, not only alters the

spread (short-to-long) ratio, but also changes the identity of the best and worst performing markets ranked accordingly from one week to the next. This strategy necessitates high frequency weekly trading and rebalancing of the *Asian equity Spread portfolio*, resulting in transaction fees. Given that all of the equity markets (Asian and U.S.) included in this study has their own corresponding exchange traded funds (ETFs), which closely approximate their investment performance, we can conduct weekly rebalancing and/or reconstitution of the *Asian equity Spread portfolio* by trading their corresponding ETFs. We exploit time-variation in unconditional moments of joint returns' distributions of both: the *Asian equity Spread portfolio*, and *Global equity portfolio*, to update the optimal spread ratio and asset allocation weights used in both portfolios. Since all analyses are conducted in local currency terms, the results are relevant to any investor with any currency numeraire since national currency returns are approximately currency hedged returns (due to Interest Rate Parity condition).

Because, transaction costs make trading frequency arising from an active investment management an important factor to consider, we focus on *economic* significance of the results. We adjust alternative portfolios' compounded returns (and Sharpe ratios) for transaction fees that range from 10 to 50 basis points (i.e., 0.1% to 0.5%). Adjustment is conducted by deducting transaction fees from *compounded* returns (as well as the *raw* returns that are in numerators of unconditional Sharpe ratios used as performance and market-ranking metrics). For instance, when switching long and short positions in the *Asian equity Spread Portfolio*, we incur two transaction fees (one for rebalancing the long side of the Spread; the other for rebalancing the short side of the Spread). However, when rebalancing the *Global equity portfolio*, we incur only one transaction fee for rebalancing the optimal asset allocation weight for the U.S. equity component of that portfolio, as transaction fees incurred in rebalancing the optimal asset allocation weight of the Asian Spread portfolio component have already been deducted when rebalancing the Asian Spread portfolio.

We find that an Asian equity Spread portfolio does contribute positively to a portfolio of only U.S. equities when considering either differential compounded returns as well as differentials of portfolio Sharpe ratios. Asian equities add to compounded returns on a U.S. equity position for transaction fees up to 0.1% of portfolio value, and add to portfolio Sharpe ratios for transaction fees up to 0.2% of portfolio value.

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Hedge Fund Styles and Alpha Returns: A Quantile Regression Approach

There is a growing body of literature dealing with the ability of hedge funds to earn alpha returns, known also as absolute returns. The models used in most cases are the market model and the Fama-French factor model and the methodology is usually the basic regression analysis. A significant limitation of standard regression analysis is that it focuses on the conditional mean of the distribution of returns and it ignores the tails of the distribution. It is possible for example that alpha returns may not be constant across the conditional distribution.

This paper contributes to the discussion on conditional dynamic alphas by taking a different empirical approach. Instead of explicitly modeling the risk adjusted returns over time we allow the risk adjusted returns to depend on the conditional residual return distribution using a quantile regression approach. Implicitly, if the risk adjusted return is varying over the conditional return distribution it is expected that a realized performance measure like alpha will explicitly exhibit a nonlinear and time-varying behavior. The advantage of this approach is that there is no need to explicitly neither define the economic state variables nor specify specific models for the time varying behavior. Furthermore, the paper also compares the estimated performance alphas of the quantile regression with those estimated by traditional OLS and garch-type techniques.

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&

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China's Financial Market Development: Drugs, Guts and Glory

In a 2009 report, the Financial Times described the Shanghai stock market as “closed, opaque, undeveloped but ambitious.” (Patti Waldmeir. Finance: Market is closed, opaque, undeveloped but ambitious, FT, April 29, 2009)). We could add the term “emerging,” and apply the description to China’s entire financial market framework. China’s financial markets are in their early years, but the progress has been impressive given the magnitude of the task and expectations are high about their role in the domestic and global economy.

The past looms large in our understanding everything about China, including the dynamics of its financial market development. And, as is the case with the rest of China’s transformation story, the answer is not primarily in the economics, but in politics, law and international relations. At the root of it all are the weak and often corrupt governments of the Qing Dynastic and the Republican Era. Instability of China’s overall environment and pervasive credit risk led to plummeting confidence in domestic financial institutions and transactions and to greater dependence on external financing sources. International lenders, though, posited strict repayment conditions. Loans and bonds had to be backed by revenue streams associated railroads and other infrastructure projects. Table 8-1 shows a sample of Chinese debt issues from about the mid-19th to the mid-20th century. [William N. Goetzmann, Anthony D. Ukhov and Ning Zhu. China and the world financial markets 1870-1939: Modern lessons from historical globalization. *Economic History Review*, 60 (2), 267-312]. Unfortunately, Chinese governments during the period were not able to fulfill their obligations, leading to a takeover of public revenue sources by foreign interests, loss of sovereignty and public humiliation.

The paper takes a view of China’s international financial market activity using China’s various wars (from the first Opium War to WWII) as background. It describes China’s pre-Opium War grandeur, its period of national humiliation and its eventual return to global financial prominence.

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The Impact of Major International Competitions (European and the World Championships) in the Audit Reports of Football Federations - The Portuguese Case

Purpose: The purpose of this paper is to evaluate and study the viability, stability and the ability of the Portuguese Football Federation (PFF) to generate sustained profits.

Design/Methodology/approach: Data were collected based on the Audit Reports of the institution during 2012-2014 and a financial and economic analysis was performed in order to establish some indicators of solvability, profitability and financial balance.

Findings: We have found that exists a lack of consistency in managing the profits obtained and above all we think it's essential a mainly better management of short-term financial assets in order to achieve greater financial sustainability in the medium and long terms. Also, after analyzing the information of the PFF financial reports we can suggest that should be given a greater interest to the management of their own intangible assets, as brand management, for example.

Research limitations/implications: This research is limited by the size of the sample, and limited to a single case study organisation.

Practical implications: By making known to leaders and managers of this type of institutions that exists a link between participation in international championships and increase of their profitability may encourage them to better managing these cash inputs in order to decrease the dependence of Governmental financing. We also found that the management of their own intangible assets, as brand management, for example, could probably add more positive financial results.

Originality/value: The focus on a Football Federation. The importance and the highlight of the football in societies made this modality into a source of profit generation. Football, considered the king of sport, is increasingly seen as a highly profitable industry where stakeholders, more and more, are interested in investing. The Football Federations institutions, with a public utility status, with the government funding are in counter-cyclical to the economy of most European countries, so, it seemed relevant to determine how these institutions can be self-sustaining based on the profits that come from

participating in international championships competitions, as Euro and World cups.

Leoni Eleni Oikonomikou

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Modelling Stock Market Volatility using GARCH Models: Evidence from Russia and Ukraine

This paper models the stock market volatility (conditional variance) on the Russian and Ukrainian Stock Exchanges using a GARCH(1,1), EGARCH(1,1), and TGARCH(1,1) models.

These volatility models are estimated using three statistical distributions namely normal distribution, student's t distribution and generalized error distribution and their specifications are compared with each other using AIC and SIC information criteria.

Results show that the three stock market indices (MICEX, RTS, PFTS) exhibit the stylized characteristics such as volatility clustering, leptokurtosis and asymmetry effects associated with stock market returns on mature stock markets.

This is the first study that models the dynamics of stock market volatility in these two stock markets using daily data from beginning 2005 till end of September 2014.

These findings are quite pertinent for portfolio management and asset allocation decisions.

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Value Added Tax in Poland–Basis of Functioning and its Efficiency

Value added tax (VAT) has become a pivotal source of revenue in most countries around the world. Nevertheless, it has not been researched as thoroughly as incometaxes yet.

The aim of this article is to present the basis of functioning of VAT in Poland as well as to examine its efficiency. The paper consists of three parts. The first part deals with the most important theoretical aspects of VAT in the analyzed country, including design issues and small-scale taxpayers treatment. Then, the VAT revenue to government revenue ratio is examined and compared with other countries. In the next part of the article, the efficiency of VAT in Poland between 2002 and 2012 is analyzed. Using VRR as a measure it has been proved that during the analyzed period a significant amount of potential VAT was not collected. It suggests that there is a potential for raising additional revenue by improving the VAT performance in Poland. There are various different ways of improving VAT performance in Poland which is then discussed.

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&

Ana Lacerda

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Equilibrium Bid-Ask Spread of European Derivatives in Dry Markets

We characterize how equilibrium bid-ask spreads of European derivatives arise in the framework of incomplete markets. We model incompleteness as generated by the non-trade of the underlying asset at some points in time. Using partial equilibrium analysis, we show the following results. For monopolistic, risk-neutral market-makers we fully characterize the bid-ask spread within the no-arbitrage bounds. For oligopolistic, risk-neutral market-makers we prove that equilibrium bid-ask spread cannot exist. We are thus led to conclude that under market competition, market-makers must present some level of risk aversion in order to generate an equilibrium bid-ask spread.

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Valrasian Approach in the Capital Asset Pricing Theory and its Application for Active Portfolio Strategies in the Stock Exchange

Classical models of capital asset pricing theory (typically categorized into utility-based and arbitrary-based) created by many outstanding researchers are widely recognized at present. At the same time these models have been seriously criticized in the literature because of at least two main reasons. First, some authors have noted that the basic assumptions of the classical models are not quite realistic. Second, some known effects (for example, the stock returns excess volatility) were very difficult for classical models to explain. Further studies of these effects have led to the appearance of new concepts in financial economics such as behavioural finance.

The fact that key parameters (such as time distribution of expected income on the risky asset) of the classical asset pricing models are not observable stimulated us to treat the problem using valrasian general equilibrium theory formalism. This alternative approach corresponds to the practical auction asset pricing mechanism in the stock exchange. Another purpose of our research was to develop a theoretical model capable to operate with real-time information translating by stock exchange trading system. Such a model can be applied for timely portfolio management.

By elucidating basic assumptions of the devising approach, we derive equations for the aggregated net demand in the stock exchange and for valrasian equilibrium stock prices. We also develop an appropriate econometric method of estimating the instantaneous aggregated net demand parameters. Our framework can be applied to a set of bid-ask quotations translating by the trading system to monitor the trends in large investors' sentiment (whether they are inclined to buy or to sell).

The proposed set-up is used to predict reversals of Russian stock price trend and to construct the original investment strategy based on the relevant signals. Different modifications of the strategy and preliminary results of their implementation are discussed in the present report.

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Weak Form of Market Efficiency Europe: Developed and Emerging Markets

One of the most important implications of different levels of market efficiency is associated to the usability and the results of applying various methods of information processing. More specifically, it can be argued that the use of technical analysis is conditioned by the degree of market efficiency in terms of accuracy of trading signals generated by specific indicators. If financial market has a high degree of efficiency then the indicators are not able to generate systematic higher results than the market average. Conversely, if the market efficiency is low investors using technical analysis tools are able to build and manage portfolios of financial assets where the return/ risk ratio is higher compared to other portfolios were investors do not use a systematic treatment of the available information.

The objective of this work lies in the description of the potential influence of financial and non financial information might have on financial markets, thus influencing the use of technical analysis tools in building investment portfolios. Thus, we analyzed the market efficiency in week form (autocorrelation test, run test, variance ratio test) in emerging capital market from Eastern Europe (WIG) compared to developed capital markets in Western Europe (Euro Stoxx). In this paper we focused on a detailed analysis which starts from the analysis on both hourly and daily frequencies of capital markets indexes and gets to individual analysis of the company stocks from those indexes divided according to the sector in which the companies operate (Consumer goods; Goods, Industry, Energy; Financial; Telecommunication).

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Measuring the Globalization Degree of Trade from 2003-2013: Is Globalization of Economy Coming to an End?

This paper measures the globalization degree of physical trade flows based on WTO figures from 2003-2013. The paper is an annual up-date of former presented papers representing a long-term study analyzing the evolution of the globalization phenomenon. The entropy-based metrics used, computes the interweavement of trade flows based on a Boltzman derived concept of entropy, i.e. the higher the order (high inequality) the lower the entropy, leading to a new defined statistical entropy. Translated to economy: the higher the inequality (high concentration of flows) the lower the entropy, i.e. the lower the globalization degree resulting in a higher risk of the economic system. The paper shows that economic world trade, as a whole, has been globalizing during recent years but with different patterns: de-globalizing for advanced economic regions, such as North America and Europe, and globalizing for emerging economic regions. Furthermore, it shows that globalization or de-globalization, intended as interweavement of flows, is not a result of the absolute trade volume but of the growth rate of trade volume. The Globalization Types Model with globalization type 1a of commodities, globalization type 1b of specialties, and opportunistic low-cost globalization type 1c, gives an explanation for the different regional evolutions. At the beginning of economic development, globalization is governed by the H-O resource endowments trade logic complying with complementary needs of economic regions spreading trade flows to new destinations, whereas advanced economies are concentrating on preferential destinations, following Linder's trade model based on similar consumption patterns. The aggregated result seems to confirm inverse Kuznets evolution of globalization, explainable with the Central Theorem of Globalization.

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Systemic Failure in US Capital Markets: Lessons not Learned

Contrary to Allen and Carletti (2011), there were existing theoretical and intellectual frameworks for regulating financial systems – frameworks built on financial and economic studies of the importance of financial stability for prosperity – that could have prevented the systemic failure that led to the collapse of global capital markets in 2007-2009. This analytical article demonstrates the point by applying two well known frameworks to an examination of financial regulation in the United States during the period leading into (and shortly after) the recent financial crisis. This approach leads to a characterization of the relationship between financial infrastructure and financial market stability that is well aligned with existing theory about the policies that support the financial systems that provide the necessary conditions for economic growth and prosperity (Eatwell and Taylor 1998). The author finds that the United States failed to provide a systemically prudent framework in any of the four policy areas identified by Barth, Caprio and Levine (2001) through their analysis of thousands of responses to World Bank surveys from hundreds of countries. Further, financial regulators in the United States failed to fulfill the five tasks identified by Eatwell (2001) in a comprehensive examination of the regulatory factors that contribute to financial stability. If the financial crisis was not anticipated it was not because stability was not being studied and measured. It was more likely a failing in how things were measured rather than what was being measured that established the conditions under which the credit market collapse was not prevented. This article concludes that more specialization – economically efficient specialization – in financial services is the way forward that will release the potential for economic gains from comparative advantage among financial market participants.

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The Levers of Control Framework in Shipping Companies: A Mixed Methods Approach

The paper explores the relationship among control systems, their antecedents and their outcomes. The paper benefits from Widener's (2007) survey instrument in order to establish Simons' (1995) results in a different population (shipping industry) and under different conditions (contextual factors). The paper tries to reply to repeated calls for validating empirical research by combining qualitative and quantitative methods and thus it is using data from semi-structured interviews and responses to a survey questionnaire. This methodological approach tests the generalizability of management theories developed in one culture to other cultures and it extends the theoretical framework by including the importance of contextual variables. The findings indicate the importance of a number of factors in the development of the theory of the Levers of Control Framework –perceptions of competition, cyclicity of industry, cost consciousness, management practices, market pressures- that impact on the validity of the LOC framework in the context of shipping companies. The results from this study offer an elaboration of the efficient use of the LOC framework into the specific maritime context.

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Impact of Large Investors in Distressed Housing Markets

We examine a recent trend in the market where large investors purchase residential properties. We find that investors purchase at a discount of 9.5% compared to individuals purchasing one house in the same time period and market after controlling for physical characteristics, cash purchases, REO sales, and property quality. Smaller investors purchase at a discount of approximately 8.0%, larger investors purchase at a discount of 13.6%, and institutional investors purchase at a discount of 7.7%, relative to single-purchase buyers. We also provide evidence regarding the price improvement related to investor buyers in the market. While they purchase at a discount relative to single-purchase buyers, presence of more investor buyers in the market help improve house values. A 10% increase in the percentage of houses purchased by investors in a census block is associated with a 0.20% increase in price.

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**IPO's Long-Run Performance:
Hot Market vs. Earnings Management**

One of the IPO related anomalies that have been well discussed in the finance literature is the IPO's long-run underperformance. A summary of the existing literature suggests that there are basically two main themes of explanations to the IPO's long-run underperformance: (1) hot market phenomenon, and (2) earnings management. Therefore, the purpose of this paper is to investigate the relative importance of each of the two explanations, by instilling the effect of each while controlling another. To our knowledge, this is the first study in the literature that looks at both effects in the same time and compares their relative importance in explaining the IPO's long-run performance. Our results show that although both hot market and earnings management play a role in explaining IPO's long-run performance in their own rights, earnings management no longer exhibits any explanatory power when it is in the cold IPO market, while IPO's long-run underperformance continues to exist in the hot IPO market even without the earnings management. Specifically, in the attached Table I we observe that, in the cold market, none of the abnormal returns of the IPO firms are significant in all of the horizons varying from one-month to three-year periods. That is, in the cold market, there is no sign of IPO's long-run underperformance, even if the firms engage in earnings management. On the other hand, however, in the hot market IPO firms tend to exhibit significant negative abnormal returns in the long run, whether the firms engage in earnings management or not. And, in particular, in the hot market those firms that engage in earnings management tend to exhibit longer and more pronounced negative abnormal returns. The above pattern stays the same when we adjust the firm's return with the four-factor model, which is reported in Table II. Thus, we conclude that the IPO's market condition has a more dominant effect than the earnings management in explaining IPO's long-run performance.

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Valuation of Stock Loans with a Stochastic Interest Rate Model

Stock loans are modern financial products designed for investors who hold a large equity position and want to utilize the position to take a loan from a financial institution with the stocks in hands being taken as collateral. Mathematically, stock loans can be regarded as American call options with a time-dependent strike price once a loan is established. This talk focuses on valuing stock loans under a stochastic interest rate framework. Based on portfolio analysis, a partial differential equation (PDE) governing the value of stock loans is derived first. Boundary conditions are then imposed to properly close the PDE system. In particular, boundary conditions along the interest rate direction are the focus of our derivation. This PDE system is a nonlinear one with the nonlinearity arising from the inherent characteristic that stock loans can be paid off at any time before the maturity date. A predictor-corrector finite difference method is adopted to solve the proposed PDE system. Numerical results suggest that the current method is reliable and the stochastic interest rate leads to a higher optimal exercise price of the stock loan in comparison with that calculated from the Black-Scholes model.