Xiao Hua Chen (Session A1)
University of Bath, United Kingdom

What causes a firm's stock and bond returns move together and decouple? - A UK market investigation

Black and Scholes (1973) option pricing theory implies that a firm's equity can be regarded as a European call option of which the underlying asset is firm's total assets. Shareholders are similar to hold such a call option written by firm's bondholders at an exercise price equal to the face value of the firm's debt C at maturity time T. If the value of the firm at maturity is above C, the stock will have a positive value, or valueless otherwise. Merton (1973, 1974) develops this idea to price corporate bonds. Combining the option pricing model and the capital asset pricing model, Galai and Masulis (1976) build a theoretically more complete model of corporate security pricing. The authors show that the value of the stock is an increasing function of the value of the firm and the variance of returns on firm assets; the value of the bond is an increasing function of the value of the firm but a decreasing function of the variance of returns on firm assets.
This paper is an attempt to fill in the void of empirical examination on the comovement of a firm's stock and bond returns in the theoretical framework. We investigate whether changes in firm value cause firm's stock and bond returns move together; changes in variance of returns on firm assets cause firm's stock and bond returns decouple and move in opposite way. Since firm value reflects firm performance and, the variance of return on firm assets reflects firm's business risk, our study reveal the conflict and common interests between a firm's shareholders and bondholders.
To our best knowledge, no empirical works have shed light on the causes of comovement of a firm's stock and bond returns. Shane (1994) and Hotchkiss and Ronen (2002) present positive comovement of a firm's stock and bond returns. Kwan (1996) demonstrates that a firm's stock and bond returns are negatively and contemporaneously correlated in the long run. Alexander et al. (2000) show that a firm's stock and bond returns move together in the long run. All these studies do not address what causes the comovement. Hence various findings exist.
Using 40 UK listed firms in the year 2000 to 2011, we conduct a panel data analysis on stock and bond returns in the period prior to firm's trading statement announcement. A further cross sectional regression analysis examines the impact of firm's leverage and return-on-asset (ROA) on firm's stock and bond returns. In literature, ROA and leverage are proxies of firm value and variance of returns on firm assets, respectively. In general, our result demonstrates that changes in firm value cause positive comovement on firm's stock and bond returns, whilst changes in variance of returns on firm assets cause stock and bond returns decouple – stock returns increase but bond returns decrease. This implies that an increase in business risk transfers wealth from shareholders to bondholders within the firm.

Lucia DelChicca (Session A1)
University of Linz, Austria

A Comparison of Different Families of Put-Write Option Strategies
(joint work with G. Larcher)

In the previous paper "Modeling and Performance of Certain Put-Write Strategies" the authors study and analyze the performance properties of certain put-write option strategies on the S&P500 index, and they find that these strategies show a systematic outperformance. This outperformance is a consequence of the observation that, in the past, the implied volatility often overestimated the actual volatility of the S&P500 index. The strategies studied in "Modeling and Performance of Certain Put-Write Strategies" are based on trading put spreads only. In the discussion following the publication of the paper, the question frequently arose, whether working with naked put short positions instead of put spreads can even further increase the performance of these strategies. In this talk we present the performance of both strategies, we compare the results and show the reasons why we can answer this question in an essentially negative way.

Vegard Elvenes and Dimas Mukhlas (Session B1)
University of Agder (UIA), Norway

Managing Risk in Financial Market in Shipping Industry
Authors: Dimas Mukhlas, Vegard Elvenes

Abstract. This paper examines how to manage risk in financial market in shipping industry by using option strategies instead of investing directly into shipping stocks. Freight rates play an important role in shipping industry, since they determine the income to the shipping companies, and thereby the company's share price. Based upon the residual earning model of equity valuation of Farstad Shipping, it appears that a 3 months straddle strategy and a cylinder strategy seems to be a better strategy than a 1 year straddle strategy, due to the volatility in the shipping industry.

Key words: risk in shipping, freight rates, equity valuation, option strategies

Peter Kristofik (Session B1)
Matej Bel University, Slovakia

Financial Supply Chain Management - Challenges and obstacles
Authors: Peter Kristofik (Matej Bel University, Slovakia), Jenny Kok, Sybren de Vries, Jenny van Sten-van't Hoff (Rotterdam Business School, Netherlands)

Financial supply chain is all about the movement of money along the chain. To optimize these financial processes, Financial Supply Chain Management (FSCM) helps companies looking from a more external point of view to the whole chain. This holistic approach is focusing on collaboration with other parties within the chain. The paper is aimed at finding differences in Working Capital Management (WCM) between Small and Medium sized Enterprises within the Dutch and Slovakian construction industry. Furthermore, the focus of the research is on finding a way a Small and Medium sized Enterprise can improve its WCM. A Case Study research method is used, because a rich understanding of the context of the research is gained. The primary data of this research is obtained via questionnaires whereas the secondary data is collected and gathered via databases. Research has shown that there are big differences in the way working capital is optimized between SMEs within the Dutch and Slovakian construction industry as well as opportunities for application of FSCM.

Ekaterina Kuzmicheva (Session A2)
National Research University Higher School of Economics, Russia

Investment Decisions under Uncertainty: Example of Russian Companies
Authors: Aistov A., Kuzmicheva E.

The research contains results of empirical estimation, how behavioral factor and a range of fundamental factors influence investment decisions (capital investment) of Russian companies under uncertainty.
Attitude towards risk of investors is considered as behavioral factor. We tried to prove that a widely-used prerequisite of risk neutrality of economic agents distorts the financial modelling crucially. Our research was guided by mathematical model of Sandmo, 1971 and Bo & Sterken, 2007. We tested empirically a hypothesis, whether low degree of risk aversion coincides with positive impact of uncertainty on capital investment, and vice versa: if investors not willing to risk are more likely to decrease the number of investment projects under uncertainty.
Description of overall uncertainty is limited by demand uncertainty [Guiso & Parigi, 1999; Ghosal & Loungani, 2000; Bo & Sterken, 2002, 2007]. Demand forecast is done on the base of sales history. Sales process is described as trend- stationary autocorrelated process AR(1). The standard deviations of residuals are used as proxy for demand uncertainty. The measure of attitude towards risk is extracted from the connection between risk-premium and a risk aversion coefficient [Fisher & Hall, 1969; Arrow, 1971; Bo & Sterken, 2007].

The fundamental factors (regressors) included in the investment model are the following:

- market power, return on equity – we tested if stronger and more effective companies are bound to invest more;
- debt to equity ratio – we tested if more leveraged companies experience more conservative and prudent investment policy or are more likely to be notable for opportunistic behaviour in relation to creditors;
- time effects – we checked the influence of economic crisis (as far as data include 2002-2009) on corporate investment activity.

With the use of database FIRA PRO containing financial statements of Russian companies we formed panel data which include 596 public and private nonfinancial companies from 7 industries for 2002-2009.
Estimation of parameters was performed using Ordinary Least Squares, Fixed effects model, Random effects model, Hausman and Taylor's model, Generalized Methods of Moments. The estimation results of the models are comparable.
According to our estimation risk-averse behaviour contributes to negative relationship between demand uncertainty and corporate investment activity, whereas firms accepting risks at least do not decrease the amount of investment or even increase them under uncertainty. Such results corresponds with theoretical researches of Nickell, 1978; Sandmo 1970, 1971 and empirical one of Bo & Sterken 2007.
We have not rejected the hypothesis that higher market power and ROE encourage investment. According to debt/ equity coefficient firms stick to cautious investment policy. We also were able to find out the crisis effect: starting from 2008 firms tended to decrease capital investment.

Selin Sarili and Ayse Hayali (Session B1)
Marmara University, Turkey

Fraud and Corruption of Shareholders and Managers in Turkish Banking System; Turkish Experience in Bank Solution in Last Two Decades
Authors: Ayse Hayali, Yusuf Dinc, Selin Sarili

In the last two decades, 20 national banks were taken over by the Savings Deposit Insurance Fund (SDIF) due to not only bad governance, but also shareholders' and C-level managers' fraud. In this period, the government budget burdened a huge amount, i.e. $50 billion, due to those takeovers. The Turkish national economy had been facing an unprecedented gigantic financial crisis ever.

Thus, it was then an obligation to take proper actions, such as making new regulations and reconstructing entire financial system. It was inevitable to establish a new regulatory body to create a stronger and more resilient banking system, while solving problem banks and collecting noncurrent loans embedded at undertaken banks.

For these purposes, Banking Regulation and Supervision Agency (BRSA) was established in 2000 as a fully independent government authority in order to obtain financial stability and recover safety and robustness of the system. Likewise, Savings Deposits Insurance Fund (SDIF) was reorganized and equipped to collect unpaid loans and resolve taken over banks, accordingly.

In this research, we will firstly explain how fraud and corruption were made by the bank owners and managers. In this context, we will try to explain the results of the measures taken and the need for new precautions by considering the real cases in Turkish banking system as our data. Not only will we explicate all the processes, but also we will be focusing on the mission of the BRSA and the SDIF, their benefits to the Turkish banking system by healing whole system and taking serious actions against corruption and fraud. Finally, we will analyze their contribution to today's Turkish economy in terms of both proactive and reactive audit.

Volodymyr Vovchak (Session A2)
University of Lugano, Switzerland

Is the Price Kernel Monotone?

The pricing kernel based on SPX option prices and GARCH model is derived and tested for monotonicity. Derivation of the risk neutral distribution is conducted based on the result in Breeden and Litzenberger (1978) and the historical density is estimated by means of our asymmetric GARCH model. Applying two statistical tests we are not able to reject null hypothesis of monotonically decreasing pricing kernel, showing that using a large dataset and introducing non-Gaussian innovations solves the pricing kernel puzzle posed in Jackwerth (2000), both in a single day and over an average of different days with the same options' maturity. We also evaluate the price kernel before and during the recent crisis and we look at the change in the shape in order to evaluate the difference.

Keywords: Pricing kernel, State price density per unit probability, Risk neutral, Historical distribution

Max Shek-wai Chu (Session A1)
The Chinese University of Hong Kong, Hong Kong, China

A Quasi-Bounded Target Zone Model – Theory and Application to Hong Kong Dollar

Policy literature has argued that for a target zone to be credible, the currency exchange rate should have a mean-reversion property. While the Hong Kong dollar is with high degree of credibility, there has been only limited empirical evidence to show that the currency possesses such a property in a target zone which was introduced in May 2005. This paper proposes a quasi-bounded process for the exchange rate in a target zone in which the exchange rate cannot breach the strong-side limit and the weak-side limit is only accessible under restricted conditions of the relationship between the drift term and stochastic part of the dynamical process. The proposed stochastic process is consistent with a fully credible exchange rate band. The empirical results show that the Hong Kong dollar exchange rate dynamics is consistent with the quasi-bounded process.

JEL Classification: F31, G13
Keywords: Stochastics process, target zone, bounded process
Diana Festl-Pell (Session A2)
University of Zurich, Switzerland

Applying Macro-Prudence in Financial Standard Setting: Systemically Sensitive Prompt Corrective Action

This paper presents a macro-prudential model outline of financial standard setting, which is first and foremost applicable for systemically risky banks. This approach differs from current accounting research in two ways: It addresses the possibility that fair value accounting can be, at least, a partial solution to the problem of systemic crises, rather than a mere problem contributor or crisis accelerator. Additionally, it questions the acclaimed role of accounting standard setters to provide decision-useful information and thereby concentrate solely on ensuring that accounting values reflect current terms of trade between willing parties rather than cooperating with the prudential regulators in their endeavor for financial stability.
My model outline proposes the following: Firstly, if the bank as well as the regulating supervisor pay attention, e.g. via having current fair values at hand, they are enabled to manage positions better at the beginning of the crisis compared to willfully ignoring current market signs by applying historical cost accounting values. Hence, there will be differences in the credit risk, liquidity and capital positions of banks entering the crisis depending on the accounting measurement regime they apply and are supervised by. The crisis then originates from holding risky and opaque assets with insufficient capital against it. Secondly, I argue that banks tend to sell their most liquid assets rather than very illiquid ones in a financial crisis. Nevertheless, virtually none of a bank's assets is totally liquid, even in the most liquid boom

markets. Therefore, holding certain illiquid positions is the usual and not the exceptional case for banks. Fair value accounting is the best way to measure these illiquid banking positions so that all stakeholders and in particular the regulator know what the asset would be sold for if there were orderly transactions.
From the model I derive that the solvency constraint has bite in the fair value regime so that a transfer of control to the regulator can occur if it is violated. Therefore, once the bank applies fair value, it has to question its valuations which generate a timelier initiative-taking by the fair valuing bank compared to the one applying historical costs. Furthermore, I find that in order to offset the write-downs caused by fair value accounting for their investment securities, a bank may be compelled to sell securities in illiquid markets. These forced sales may further weaken the market for the securities and reduce the resulting price for the observed trades, compelling additional sales to raise capital. The model also displays that relative to a historical
cost accounting regime, fair value accounting could alleviate the inefficiencies arising from asset substitution, but exacerbate those arising from under-investment due to debt overhang. Hence, the debt overhang may hinder any new equity issue by the shareholders, since after insolvency any new capital put into the bank would directly go to the creditors' claim. Therefore, the model shows that preventing a crisis through transparent accounting measurements and binding regulation before entering insolvency is much less costly than putting a veneer of stability on inherently volatile assets and waiting for regulatory measures to be taken until after factual insolvency of the bank. The paper is thus able to offer a vision for how a new bank accounting regime for systemic stability could be designed.

Tülin Anlas (Session A3)
Gaziantep University-Zirve University, Turkey

The Effects of Changes in Foreign Exchange Rates on ISE 100 INDEX, 1999:01-2011:11
Authors: Tülin Anlas, Fatma Ogucu

Over the past decade Turkey has witnessed an incredible surge of cross-border transfers of goods and capital. The trend is likely to continue in short and medium term. Such development has highlighted the importance of foreign exchange fluctuations. In this work, I explore the relationship between changes in foreign exchange rates (Euro/TL, GBP/TL, JPY/TL, CHF/TL, USD/TL, CAD/TL, SA/TL) and the main composite index at Istanbul Stock Exchange by employing monthly data spanning from January 1999 and November 2011.
Based on the Augmented Dickey Fuller and other techniques of time series analysis I find that all variables in the estimation framework are non-stationary at the initial level; the stationarity is achieved at a first difference level.
The results indicate that changes in domesticU.S. Dollar and Canadian dollar are positively related to changes in ISE 100 while fluctuations in domestic interest rates and Saudi Arabia Riyal have a negative impact on the index. The study also discusses implications of these results on the portfolio and traditional approaches to estimation of returns.
The study contributes in two major ways. Firstly, it contributes to the ongoing discussion on relationship between stock market and foreign exchange rate in emerging markets using most recent data from a major economy. Secondly, it challenges a dominant Euro/TL and USD/TL paradigm by incorporating into analysis a set of other currencies that have become increasingly important for Turkish trade and finances in recent years.

Keywords:Augmented Dickey Fullertest, foreign exchange rate, Istanbul Stock Exchange

Fatma Ogucu (Session A3)
Department of Economics, Zirve University, Turkey

Value relevance of corporate governance: evidence from Turkish firms

In the wake of recent economic crisis, the role of corporate governance has received increased scrutiny both in developed and emerging economies. This paper is about value relevance of corporate governance. Using a unique and new panel data from a leading rating agency in Turkey that covers 22 large companies spanning from spanning from 2007 to 2011 and fundamental stock information from Istanbul Stock Exchange I attempt to assess whether changes in corporate governance are associated with stock performance and firm value.
Using random effects model, pooled IV and Hausman-Taylor panel IV model I conclude that corporate governance is an important factor in explaining the stock return and changes in market value of Turkish firms. The corporate governance scores do have a positive effect on stock return of the company. In the pooled IV model, a percentage point increase in the corporate governance score results in 1.58 and 3.49 percentage point increase of 1 month and 3 months stock return, respectively. Similarly, in the pooled IV model, a percentage point increase in the corporate governance score causes 2.96 percentage points increase in Tobin's Q growth rate within 3-month period. The findings remain robust across various model specifications despite the limited size of the dataset. Estimated relationships are in line with some of the exiting studies although the methodology used in this study is largely superior to those used in most of these existing articles.
This study contributes to the literature in different ways. First contribution is of technical nature. I tackle the problem of endogeneity of corporate governance by introducing innovative and valid instrumental variables. Moreover, I suggest that the relationship between corporate governance and stock return is likely to be causal. Secondly, utilized dataset is one of the few of a panel setting enabling me to control for unobserved heterogeneity in firm characteristics. Thirdly, I expand time horizon of a potential effect by assessing empirical relationship in 1, 3 and 12-month lags in an attempt to capture a medium-term effects that has been rarely studied so far.
Keywords corporate governance, stock return, firm value, instrumental variable, Turkey.

Agyenim Boateng and Min Du (Session C3)
University of Nottingham, China Campus, China

Cross-border Mergers & Acquisitions by emerging market firms: A Review and Future Direction
Authors: Min Du, Agyenim Boateng

Over the past two decades cross-border mergers and acquisitions (CBM&A) activities from emerging economies have paralleled their home countries economic reforms and integration into the world economy (Aybar and Ficici, 2009). Outward M&As by the emerging economy firms (EEFs) from countries such as India, China, Brazil, South Africa and Russia have accelerated. This is in sharp contrast to the past when firms from developed countries have dominated the global market for corporate control and developing countries were only recipients of these investments.
The purpose of this paper is to examine how academic research on cross-border mergers and acquisitions (CBM&As) from emerging economy firms (EEFs) have evolved over the past decade (2000-2012). Focusing on articles published in major scholarly journals during the period 2000-2012, the authors develop a framework in respect of the areas where emerging research streams have been concentrated namely, (i) motivation for acquisitions by EEFs; and (ii) the consequences/outcomes. We identified issues which have not been examined and provide recommendations for future research for finance and international business scholars.

Adi Budiarso (Session B3)
University of Canberra, Australia

The Role of Leadership in Sustainable Public Sector Performance Outcome
Authors: Adi Budiarso, Monir Mir

In order to cope with global finance volatility and in the midst of the complexity of the public sector reform agenda, the paper focuses on the adoption of the Balanced Scorecard (BSC) approach in the Indonesian Ministry of Finance performance planning and leadership decision making model. Three out of the four pilots for the Indonesian bureaucratic reform program implements BSC as a leaders' initiative to install the new strategic performance management tool in public sector reform. The Indonesian Ministry of Finance (IMOF), which includes major directorates for tax, treasury, budget and customs, is leading the implementation of the reform in terms of leadership commitment and support.

The implementation of BSC in the IMOF during 2006-2009 has shown some promising results.The implementation of BSC in the public sector, especially in Indonesia, faced great challenges in terms of leadership engagement and commitment, particularly with regards to the leadership style and bureaucratic culture at the national and organizational levels. The study aims to provide an analysis of the issues based on the leadership perspectives on the achievements of sustainable performance outcomes in the midst of the global challenges .

A conceptual framework is constructed that highlights the relationship between leadership and the strategic performance management system such as BSC. The discussion will enhance strategic leadership theory in implementing BSC in the public sector. In order to sustain public value as the ultimate performance outcome, public sector leaders need to advance their current performance management system to the next level which is a performance governance system (Bouckaert and Halligan 2008). The Performance governance concept requires partnership with all stakeholders and promotes an organisation's responsiveness to the current global issues. The paper will also delineate the extent to which performance governance promotes a comprehensive and collaborative partnership decision making process in sustaining public sector performance.

Keyword: Leadership, Balanced Scorecard, Sustainable Performance Outcome

Mehmet Hasan Eken (Session C3)
Kadir Has University, Turkey

The Effects of Global Financial Crisis on European Banks: A Risk Analysis Approach
Authors: Mehmet Hasan EKEN, Suleyman KALE, Huseyin SELIMLER and Veysel Ulusoy

The effects of global financial crisis have been severe on banks. Many banks went bankrupt and many are in distress due to their sensitivities, stored in their balance sheets, to financial risks enlarged by the crisis. Some of banks, on the other hand, have felt the effects slightly.

Recalling that total risk is sum of two parts of risk namely; volatility and sensitivity and that volatility is not under the discretion of banks, i.e. externally determined, it is assumed that the degree of banks getting affected by the global financial crisis is largely dependent on their sensitivities to risks. Banks' sensitivities to risks are assumed to be under the control of banks. Thus, in line with their risk appetite, banks can always change the structure of their balance sheet to alter their sensitivities to financial and non financial risks.
In this paper it is targeted to analyze and compare the balance sheet structure banks from 27 European countries in order to find their sensitivities to different financial risks such as credit risk, exchange rate risk and interest rate risk. It will further be analyzed how banks' balance sheet structures have been altered after the crisis. The analysis will be widened to investigate the existence of effects stemming from country, region and bank types.
JEL: G15, G21, G32
Keywords: Global crisis, banking, balance sheet structure.

Farzaneh Heidarpoor (Session A3)
Islamic Azad University-Central Tehran Branch,Tehran, Iran

Relation between Market Value Added and Earning Per Share and Price to Earning Ratio
Authors: Farzaneh Heidarpoor, Rezvan Hejazi, Hamid Eskandari

Modern stocks companies are a mixture of different groups such as, managers, stockholders, and creditors. These groups interact through formal/informal contracts in a stocks company. It was believed for many years that all parts in a joint stock company seek a common goal; however this belief gradually has lost its fan during last 25 years when many controversies found between different parties' interests in a joint stock company (Jensen and Mc Ling 312:1976). All these controversies are organized in a theory known as "Agency theory". According to Jensen and Mc ling:
*Agency relation is comprised of a contract entered between stockholders to appoint one or more identities as representatives for conducting specific services on their behalf. Among the services- subject to the contract- includes authorities to make specific decisions (*Jensen and Mc Ling 312:1976)
Assumption that both parties are seeking their own interests implies that in some cases, the representatives fail to place interests of their stockholders at top priority. Stockholders on the other hand, may provide enough motivation for representative by paying tempting salary and allowances to representative and also devise supervising systems and defining boundaries to lessen effects of such controversy of interests. There are plenty of solutions for extending supervising systems, including direct manipulation in managerial affairs by stockholders, drawing up contract based on managers' bounces, preparing variety of financial statements at different occasions regarding fiscal performance and also employing fiscal and economic tools (Tousi and Gomezjemia,1994).
There are different supervising techniques to observe managers actions. Major drawbacks have found in some of these techniques, which generate misleading information when applied for preparing fiscal reports. Different approaches have been suggested by different parties is company at different times. Adopting new techniques by beneficiaries is to cover deficits of traditional models. Along with discussing new standards for performance assessment, this work studies relation between traditional and modern standards.

Theoretical Framework
Increasing value of stockholders is the prime goal of majority of companies, which is clearly the mere goal of stockholders. Moreover, adopting this goal ensures dedication of rare resources in most optimized way, so that stockholders' value is maximized through maximizing difference of market value and realized capital by stockholders. According to the definition, this difference is what we call market value added, and the more market value added, the better managers' performance. In some cases, market value added is defined as total market value minus paid capital by stockholders. For many enterprises, financing consists of ordinary stocks, debts and preferred stocks. We can estimate total capital provided by stockholders based on the value reported in financial statements. Total market value of a company includes market value of stockholders of ordinary stocks, debts and preferred stocks. Considering that price of stocks can be easily discovered from the market but finding market value of debts is not easy. Financial analysts consider reported debt value in financial statements as estimated market value of debt. This study investigates how market value added (as an economic index of performance evaluation) can explain earning per share and price to earnings ratio (as a financial index of performance evaluation).
Necessity of this study is economic profit of market value added from information contents merits for assessing managers' performance and creating stockholders value. Moreover its aim is to justify market value added can be used instead of earning per share and P/E ratio.
Hypotheses

- 1: there is a relation between MVA and earning per share
- 2: there is a relation between MVA and P/E ratio.

Dependent Variable: Market Value Added (MVA)

Stewart (1991) deified new index for value creating companies known as market value added. When total market value of a company exceeds invested resources of the company, it means that management of the company has created value for stockholders. In contrary, when market value is less than invested resources, the company has lost stockholders' value (Stewart185: 1991).
According to Stewart (1991) difference between market and book value of a company is defined as:
MVA = market value – utilized investments in company
Independent Variables
Independent variables in the study are earning per share (EPS) and price to earnings ratio (P/E).
Correlation and regression test was used for analyses.
Findings
Analysis on hypotheses based on multiple regression model showed that there is a meaningful linear relation between square logarithm variables of MVA and EPS on yearly basis and the whole 5 years, and there is no meaningful linear relation between square logarithm variables of MVA and price to earnings ratio (P/E) on yearly basis and the whole 5 years(table 1).
The model hints on a positive but weak relation between earnings per share and square logarithm of MVA. Coefficient of correlation for this relation is 32%. Taking into account, weakness of coefficient of correlation, MVA coefficient and EPS, the study improved capacity of MVA as an economic index to justify small portion of EPS variation (performance measurement index).

Table1. Multiple regression coefficients of EPS and P/E with square logarithm of MVA for the whole 5 years.

Five years	Non-standard (β)		Standard Coefficient	T statistics	P value
	Value	Estimated error			
constant	49.86	0.33	-	151.57	0.000
EPS	0.0015	0.0002	0.32	8.45	0.000
P/E Ratio	0.00	0.04	0.00	-0.12	0.907

TUESDAY SPEAKERS

Rezvan Hejazi (Session A3)
Alzahra University, Tehran, Iran

The Impact of Adopting IASs on Social, Economical and Political Environment of Iran

Due to the importance of comparability of financial reporting and global trade growth, regulators, investors, great corporations and auditing institutions find the international and coordinated standards so significant. Therefore there is a reasonable motivation to investigate the impact of social, economical and political of accounting standards on environment of Iran. In this research, Delphi method and Cochran formula respectively have been employed to collect data and estimate sample size. Using of library studies and questionnaires data were collected.
The result of data analysis showed that the international accounting standards have significant impact on social, economic and political of Iran environment. However, there wasn't a significant difference between reported perceptions of three groups; academics, accountants and auditors.
Key words: Accounting Standards, International Accounting Standards, IASs, Social Impact, Economic Impact, Political Impact.

Ahmed Marhfor (Session B3)
University of Quebec in Abitibi, Canada

Firm's Financing Constraints and Investment-Cash Flow Sensitivity
Authors: Ahmed Marhfor, M'Zali Bouchra, Jean-Claude Cosset

In this paper, we investigate whether high investment-cash flow sensitivity can be interpreted as evidence that firms are facing binding financing constraints. Using institutional features and an intuitive measure of stock price informativeness to distinguish between most constrained and least constrained firms, we document that firms that are supposed to be more financially constrained exhibit greater investment-cash flow sensitivity. Our findings support the results of Fazzari et al. (1988) who also find that investment spending of firms with high levels of financial constraints is more sensitive to the availability of cash flow.
Keywords: Investment decisions, stock price informativeness, investment-cash flow sensitivity, financing constraints

Scott J. Niblock (Session B3)
Southern Cross University, Australia

Carbon Markets in Times of Economic Uncertainty:
A Weak-form Efficiency Investigation of the Phase II EU ETS

In this paper I examine the weak-form efficiency status of the European carbon market over periods of sustained market volatility and economic uncertainty (i.e. 2008-2012). 1,035 daily spot price data observations from the Phase II European Union Emissions Trading Scheme (EU ETS) are employed, along with random walk and trading rule profitability tests. To establish the evolution of weak-form efficiency, the time period under investigation is further divided into two distinct crisis periods, i.e. Global financial crisis (GFC) period and European sovereign debt crisis (ESDC) period. Period 1 random walk test findings support the proposition of price return predictability during the GFC. Conversely, Period 2 random walk test results show that return predictabilities are virtually non-existent during the ESDC (a trend which is also apparent over Combined Periods). Trading rule profitability findings reveal that after applying simple trading rules (that account for risk and transaction costs), return predictabilities cannot be manipulated to profit above a naïve buy-and-hold strategy. Despite extreme market volatility and ongoing climate change policy ambiguity, it appears that the EU ETS is becoming more weak-form efficient.
Keywords: EU ETS, predictability, random walk, volatility, weak-form efficiency

Darius Saikevicius (Session A4)
Vilnius University, Lithuania

Mergers and Acquisitions: Revisiting the Issue of Value Creation

During the last takeover wave in the period of 2001-2009 both the volume and the value of merger and acquisition transactions reached record heights. Nevertheless, the question of whether mergers and acquisitions create surplus value has never been more relevant than during the same period of 2001-2009 as well. It turned out that numerous transactions which were structured during the recent wave destroyed total combined shareholder value instead of increasing it.

The general issue of value creation in merger and acquisition transactions is analysed in the study. Furthermore, concentrating beyond the basic issue of surplus value creation, two important questions surrounding the issue are addressed: the paper examines whether value creation differs in domestic and cross-border transactions and what is the effect of timing of merger and acquisition transactions in terms of economic cycle. Namely, value creation in pre-crisis, crisis and post-crisis periods is being analysed and compared in the study.

For the purpose of the study a database of merger and acquisition transactions which took place in the Member States of European Union during the period of 2004-2011 has been employed. Stock price change has been selected as the main metric to measure gains and losses of a transaction. For this reason only those transactions in which both of the companies (acquirer and target) are listed on a stock exchange were eligible for the study.

The results of the study suggest timing of merger and acquisition transactions being important factor in value creation. There is no statistically significant evidence found that transactions concluded during crisis period create more value than those at the pre-crisis timeframe. The results of the paper support the conclusions of previous studies by academics that cross-border mergers and acquisitions create more value than domestic transactions.
Keywords: mergers and acquisitions, takeovers, cross-border, takeover waves, market timing.

Donatien Tafin Djoko (Session A5)
Université de Neuchâtel / Institut de Statistique, Switzerland

Selection of Balanced Portfolios to Track the Main Properties of a Large Market

Index-based investment products are becoming increasingly popular among passive portfolio managers. For the purpose of this manuscript, by passive strategies, we mean those concerned with tracking a given market by investing in a subset of its constituents. So far, empirical researches have focused on complex heuristic-related optimization techniques to solve the cardinality constraint associated with the Index
Tracking problem.
In this article, we adopt a different perspective and apply a survey sampling framework in the context of Index Tracking. We describe a novel, automatic method that enables us to construct a small portfolio to track a large market of assets. The constructed portfolio is selected randomly using a new method of balanced sampling. Empirical studies are performed on the S&P500 daily dataset. Balanced sampling designs enable us to efficiently track the broad market index with a relatively small number of stocks. The out-of-sample quality of the replicator is preserved. Compared to other random sampling methods, the gain in dispersion around the target index is sizeable.

Keywords: Index Tracking, Survey sampling, Balanced sampling, Mean
square error, Passive investment, Heuristic.
Jel classification: C43, C46, C61, C63, G11.

Christian Theuermann (Session A5)
FH Campus02, Austria

Financial- and Enterprise Risk Management
Risk coverage in the top companies in the D/A/CH1 countries – Development and future challenges in the external risk reporting in the corporate practice

Challenging and difficult current economic conditions and the increasing number of corporate crises show that an effective risk management is essential for successful businesses. Companies are exposed to the risk that negatively by internal or external factors or influences the achievement of sustainable existence is threatened. The raises in recent years, exacerbating risk situation increased demands on the executive management and its approach to risk.
A goal-oriented professional enterprise dealing with risks for companies in all industries and size classes of essential importance. This is partly due to the fact that the interest of strong risk-adjusted information in the context of increasing accounting and recognize a growing demand for a risk-based alignment of management and is controlling. Furthermore, legislators and industry associations to seek a rapid adaptation of laws, regulations and guidelines to ensure that stakeholder interests are protected. To meet these demands, is a holistic and integrated into the business management of corporate risk management imperative. The external risk reporting are of key importance, as there is an urgent need for action in the transparency policy of the enterprises.
Against this background, in 2011 conducted a study on the external risk reporting in the D/A/CH countries. The objective of this study was to demonstrate an insight into the current state of development of business practices and future trends and challenges in the external risk reporting.
To each 100 decision-makers were interviewed using a standardized questionnaire. The high response rate of 22% underlines the importance and relevance, which takes these issues with the companies. Overall, the survey took the top companies in the automotive, construction, chemicals pharmaceuticals, banking/insurance, electronics/engineering, mechanical/industrial, consumer goods and raw materials/energy part. These companies employed between 250 and in 2010 more than 15,000 employees and achieved sales in the range of € 50 million to over € 10 billion.
In this study, the following key points are verified:

- 95% of the top companies have implemented a continuous risk management and use
- At the organizational integration of risk management can be recognized in principle for improvement
- An integrated view of corporate risk management system enhances the quality of external risk reporting relevant and causes long term to improve the reporting
- The release of the internal risk information to keep the companies surveyed covered
- 81% of respondents believe that the external risk reporting will in future become more important

As a conclusion it can be stated that the external risk reporting should be harmonized and coordinated with the content of internal risk management and reporting. For most of the top companies in the DACH countries Risk management is integral part of modern business management. The reasons for the implementation have different causes, ranging from normative standards, gain competitive advantage through to the fulfillment of ownership requirements. A key study finding is that many companies in the DACH countries external risk reporting is not taken seriously enough and let her come not required meaning, acceptance and the necessary resources. At the same time, the tendency towards increased transparency and a continuous development of the external risk reporting are identified. A continuous risk management and a sophisticated risk guarantee coverage for early identification of potential risks and sustainable business management. In addition, an effective external risk reporting is essential from the respective corporate culture.

Sandra Bleckenwegner (Session B5)
University of Applied Sciences Upper Austria, School of Management, Austria

Value Reporting – An Empirical Analysis of ATX and DAX-30 firms

Along with the popularity of Value Based Management in public listed companies also Value Reporting has become more and more important. This is a voluntary report additionally to the traditional one, which should inform the investors about future relevant facts as well as the use of Value Based Management concepts within the company. However, in Austria and Germany there are no explicit legal regulations for Value Reporting. In Germany there is some influence on this topic according to DRS 15, which is a guideline dealing with the management report. Indeed, DRS 15 is not regulated by law and therefore the adherence to this regulation is not monitored.
The analysis of Value Reporting before and after the financial crisis is the focus of the present study, as there are no existing studies related to this special comparison. The study consists of the comparison of Value Reporting before and after the financial crisis, the relevant annual reports are those from the years 2007 and 2010. The changed attitude towards Shareholder Value Management during the financial crisis was the crucial factor for choosing these two periods.
In order to assess the quality of Value Reporting in the different companies, there are established some criteria following the current state-of-the-art in research as well as DRS 15. Furthermore, a scoring-model is used to allow a measurement, and afterwards a comparison of the paragraphs from the annual reports. While one part of the criteria represents the attitude of the companies to Value Based Management, the other represents the reporting of precise value based facts and figures like WACC or value based ratios. Overall, a qualitative content analysis of 50 reports before as well as after the crisis is conducted in order to indicate the quality of Value Reporting in Austrian and German companies.
According to the analysis of both periods it is evident that DAX-30 companies principally show a better quality in Value Reporting than the ATX ones. The single criteria of the German companies also result in better quality reports than in Austria. The analysis of the annual reports from 2010 shows that Value Reporting has only marginally changed during the financial crisis, in both Austria and in Germany. However, when looking at the results in detail, changes within the criteria or companies can be found. Some of the companies in the index even made major changes, in the single criteria positive as well as negative developments can be found. The overall findings of the ATX and DAX in 2010 result in the same quality as in 2007.
Interestingly, the attitude towards Value Based Management could gain a better result than the reporting of precise value based facts in 2007 as well as in 2010. However, concerning attitude a negative development took place during the financial crisis in both indices. Especially in the Austrian companies the decline in attitude was strongly marked. However, as the overall quality is the same, it is evident that the categories concerning precise value based facts and figures could gain importance. So, the changed overall attitude towards Value Based Management is not only a topic in literature but can also be found in the analysed reports of Austrian and German companies.

Christoph Eisl and Rebecca Höfler (Session B5)
University of Applied Sciences Upper Austria, School of Management, Austria

Process model for the use of eye tracking in the field of reporting design
Authors: Prof. (FH) Dr. Christoph Eisl, Rebecca Höfler B.A., Prof. (FH) Dr. Heimo Losbichler, DI Mag. Peter Hofer

The quality of management decisions is directly linked to the available information. Managers get quantitative information about the performance of the company primarily from their reporting system. Charts, tables and texts in reports should be designed in such a way that managers are able to perceive relevant information effectively and efficiently. A literature review in relevant publication databases confirms a lack of empirically tested guidelines for an optimized reporting design.

Visual perception can be analyzed by the use of eye tracking. This technology has not been used in the field of reporting yet but could develop into a key instrument for the evaluation of different design options.
The objective of this paper is to present a process model for the use of eye tracking in the field of reporting design. The model is based on the findings of 48 studies using eye tracking for website usability tests. This field of application was chosen due to its analogies to the design of company reports. The developed model was examined within an experimental test series among finance students and proved to deliver valid results.

Key Words: reporting design, management information design, eye tracking, process model, perception, effectiveness, efficiency

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Real Options Logic in Strategic Entrepreneurship: New Approaches to the Budgeting Process

No matter what kind of industry issues like volatility, uncertainty, dynamic markets and change seem to be omnipresent in today's business environments. In recent years a lot of literature has arisen concerning these special problems in economy with more or less effective solution, models, tools, etc. to cope with these certain challenges. Due to the actuality and personal interests the author decided to capture one of those solutions under a certain point of view, namely real options logic (ROL) linked with an strategic entrepreneurship (SE) way of thinking. Combined with the widespread discussion point of the efficiency of budgets in volatile times the following title of the study was found: Real Options Logic in Context of Strategic Entrepreneurship: New Approaches in the Budgeting Process

Additionally the study is complemented with the underlying research question: Does the real options logic in the context of strategic entrepreneurship demand firms within the technology industry for new approaches in capital budgeting to value investment projects efficiently and balancing the risks appropriately?
The aim of this work, besides answering the research question and verifying or falsifying the proposes, should be on the one hand to provide the reader with a deeper insight of the study's major topics strategic entrepreneurship, real options and advanced budgeting while on the other hand also responding to a scholarly research gap, which is bringing those topics together. The methodology which is used is a deductive approach which means that topics or categories of the study are determined a-priori. Additionally the study consists of a theoretical part and an empirical part based on six small case studies of the Siemens AG to verify or falsify the underlying proposes and complement the theoretical findings.
Main findings:

- putting ROL into a SE framework provide competitive advantage and firms benefit from high flexibility to environmental changes
- high demand in flexibility make two traditional economic models lose validity
- spin-offs support SE in an advantage- and opportunity-seeking manner but also demand for new ways of budgeting
- the decision of keeping real options integrated or isolated depends on a firm's risk policy but opportunity costs are arising with both possibilities
- spin-offs limit the downside risk of any overinvestment but cannot prevent firms from making wrong investment decisions
- once a real options is exercised decision makers tend to actively try to alter projects or their goals rather than abandoning them;

To sum up volatility and uncertainty force companies in every industry (and especially their R&D departments) to become more innovative and stay constantly prepared for future developments. Therefore real options logic in context of strategic entrepreneurship provide an efficient framework for undertaking current actions while also setting up future possibilities and use the given flexibility to reach competitive advantage. Nevertheless new ways of budgeting are required to estimate value as well as risk, which go along with this approach, efficiently.

Carmen Gatterbauer (Session B5)
University of Applied Sciences Upper Austria, School of Management, Austria

Contingent Convertible Bonds as Means of Equity Financing for Banks

Government bailouts of large financial institutions like Bear Stearns, Merrill Lynch or Citigroup indicate the significance of a strong and resilient banking system for sustainable economic growth. Since the costs of the bailouts were imposed on the taxpayer or other solvent institutions, the moral hazard problem is subject of ongoing discussion. While deregulation of control on banks' asset portfolios has progressed in the early 1980s, regulators now start to rethink sensible regulations. Considering the fact that banks were not able to raise sufficient new capital, regulatory capital requirements needed to be tightened. By publishing Basel III, the Basel Committee on Banking Supervision intended to increase both, the quality and the quantity of the regulatory capital requirements. Under Basel III, Tier 1 Capital must be at least 6.0 % of risk-weighted assets at all times, while Total Capital (Tier 1 plus Tier 2 Capital) must be at least 8.0 % of risk-weighted assets at all times. Hence, Tier 1 Capital becomes more important. In order to enable banks to fulfill Basel III requirements and to avoid further bailouts a new financial instrument has been proposed: Contingent convertible bonds (CoCo-Bonds). CoCo-Bonds pay coupons like traditional bonds but automatically convert to equity if a predefined trigger is reached. The conversion to shares is mandatory, so new capital will be available for further loss absorption. Thus, Coco-Bonds fulfill Basel III regulatory capital criteria.
Several researchers have questioned themselves, how to structure CoCo-Bonds from a bank's viewpoint. However, little research has been done on how investors expect CoCo-Bonds to be structured. Despite successful issuances of CoCo-Bonds have been made, e.g. by Lloyds Banking Group or Crédit Suisse, it is still uncertain, whether contingent convertibles have wide appeal. In my paper I examine the factors that contribute to the maximum utility of CoCo-Bonds for both, banks and investors. After reviewing the literature I conducted a survey in Austria and Germany in order to verify the factors I have found.
Since investment guidelines make it difficult for fixed income investors to diversify their portfolio via CoCo-Bonds, new target groups like hedge funds or high-net-worth individuals should to be considered as potential CoCo-Bond investors. Hedge Funds and high-net-worth individuals could be interest in CoCo-Bonds since they offer a higher yield in a low interest environment. Ultimately the marketability of CoCo-Bonds will hinge on whether CoCo-Bonds are appealing to institutional investors with a medium to high risk appetite.

Savita Shankar (Session A5)
Asian Institute of Management, Makati City, Philippines

Role of Microfinance in Financial Inclusion: An Empirical Enquiry in India

This paper examines the potential for using MFIs to promote financial inclusion in India. Enquiries at three levels namely, sector, MFI and MFI member levels were conducted. Factors affecting microfinance access were identified. The extent to which group microcredit provides the expected outcomes of financial inclusion such as enhanced ability to manage finances, financial literacy and creation of credit histories was analysed. The circumstances under which graduation to individual loans took place were also examined. Three kinds of MFI members were identified, effective utilizers, cash flow smoothers and ineffective utilizers. An explanatory framework for financial inclusion through microfinance was developed.

Keywords: Financial Inclusion, Financial Services, Microfinance, Microcredit, Asia, India

Hussein Suleiman Mohammed Ahmed (Session C3)
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Charity Finance: The Solution for the Economic Crises in Time of VUCA

This abstract spelled out the holes and the gaps that caught the financial theory and the economic principles, which led to the last economic crisis and how it will be remedied. Furthermore, the words (volatility, uncertainty, complexity and ambiguity), which precisely selected by the Academic Collaboration and Research Network, will be proven. The United States adopted an incentives policies to cure the crisis, but it didn't achieve its goals as it was planned this will be demonstrated. The European Union implemented the austerity measures; they didn't perform their objectives as they want will be investigated. To cure and prevent the diseases of the financial theories and the economics' principles, the right applying and to be back to the real theories' assumptions. Moreover, new assumptions should be added. The model of private sector and the households of the charity work from their savings, directly to the states and the needy groups or indirect through the provision of the basic services through the social economic projects and to accelerate the real economic sectors will be presented. A case study for the role of the charitable finance, in social care and income redistribution in the Sudan; the Sudanese society knew the charity works before the formation of the modern country and the colonial era. This mean of income redistribution inherited from grandfathers and became traditions and customs which were feeding from the Islamic principles, social values, cultures and the humanitarian tendency which cultivated in the Sudanese society .In both cases, the charity work oriented to introduce the pleasure and the utility for the human being, in case of misery and to maximize their happiness in case of the good events. There were many types of means of charity finance in the Sudan ranging from the households to the national level will be tested. At the community and the national levels**,** the people had their own popular participations, which ranged from the basics services, infrastructures, building leading projects, disastrous events, will be examined.
Crucial new economic models will be designed and new assumptions and the correct implementation of the economic theories will be recommended.

Hui-Sung Kao (Session A4)
Feng Chia University, Taiwan

The Relationship between IFRS, Earnings losses and Earnings Management

More and More countries used International Financial Reporting Standards (IFRS) to
report financial statement. Taiwan also will adopt IFRS in 2013. In prior researches indicate IFRS could increase relevance of financial statement, but also increase the opportunity of earnings management. The purpose of this study use china's data and experience to explain the relationship between IFRS and earnings management. The second, when firm adopt IFRS in high information asymmetry situation, whether the manager would use earnings management method highly. Finally, if firm face on the earnings threshold of earnings losses and earnings decreases, the firms of using IFRS have more discretion accrual. This could provide us a reference of using IFRS. The result of this study expects to provide contribution of issue and research design in academic. It can provide some contribution on the literatures of IFRS and earnings management. The findings indicate used IFRS would decrease the neutral of financial statement. But no evidence demonstrate adopt IFRS will increase the earnings management. Therefore, if firm face on the earnings threshold of earnings losses and
earnings decreases, the manager often has earnings management behavior after using IFRS. Especially, firm is in high information asymmetry situation. On management implication, this study anticipates to give some reference of judging and deciding for stakeholders using financial statement after adopting IFRS. Furthermore, this empirical result could suggest the government and regulator to practice some important and integrity method to prevent the earnings management phenomena of the manager after adopting IFRS.
Keywords: International Financial Reporting Standards (IFRS), Earnings Threshold,
Earnings Management, Discretion Accrual

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Factors Contributing to Audit Lags of Zakat Institutions in Malaysia
Authors: Asmah Abdul Aziz, Muslimah Mohd Jamil, Huzaimah Ismail, Nafisiah Abdul Rahman

Zakat fund is public money. Thus, it is the responsibility of zakat collection centers to effectively and efficiently manage and distribute the zakat fund. Due to that, auditing can be one of the mechanisms to evaluate the effectiveness of the zakat administration. The auditors will take some period in order to complete auditing process. This period is called audit lag. It is important because it is one of the signs for measurement of quality. It is also important in preventing the insider trading, leaks and rumors and reducing information asymmetry. It can be a potential alarm for risk measurement. There are many studies conducted as regards to the determinant of audit lags. However, there is no study conducted pertaining to zakat institutions. Thus, this research is aimed to determine the relationships between audit lags and the size of zakat institutions, types of zakat institutions, preparation lag and amount of expenditure. The findings could also help the government in evaluating the performance of the zakat institutions. It also can aid in identifying the factors that abstain the timeliness of audit reports. This study used the audited financial statements from 2000 to 2009 that were collected from the National Audit Department in Malaysia. The results showed that the size of zakat institutions, types of zakat institutions and preparation lag have significance relationships with audit lags. However, there was no significant association between the expenditure and audit lags.
Keywords: zakat, auditing, audit lags, zakat fund, determinants of audit lags, size of zakat institutions, types of zakat institutions, expenditure

Abdulfatah Alsameen (Session A4)
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INTERDEPENDENCE OF OIL AND STOCK MARKET RETURN IN THE GULF COOPERATION COUNCIL

This paper investigates the interdependence of oil and stock market return in the Gulf Cooperation Council (GCC). This paper uses quantitative methods based on lagged multivariate analysis to implement cointegration and exogeneity test. Optimally lagged data is examined in vector error correction model (VECM) based of tests of cointegration, casualty, variance decomposition and impulse response analysis to investigate the impact of oil prices on the stock markets returns in the GCC countries. This study employs daily time series data for each of the GCC stock market return and oil prices during the period of 02/01/2007 – 31/12/2011. The results indicate that one market out of six GCC stock markets (Kuwait) can predict and explain the future oil prices movements, while oil prices can explain three GCC stock markets (Oman, Qatar and Emirates).

Keyword: oil prices, stock markets, VECM, cointegration and Granger causality.

Lal Bihari Chakma (Session A7)
Peace Campaign Group, New Delhi, India

Marketing Decision Support Systems and new Economic Challenges
Authors : Mr. Lal Bihari Chakma, Mr. Nirjhor Chakma

Even marketing is told to sell dreams to customers, it must take into occount the real power of potential markets consumption that relies on the economic state-of-affairs. If the economic draw-back must change the methods used by marketing strategists or how the crises that lead to under-consumption even for the most common goods affect the publicity budget, it is a fair study to be made. We can only imagine how a commercial for a tiny electric car will appeal the inflated ego of a man from the post-petro/dollar new economic era…but, even the ''times are changin'', a merchandiser will always claim his merchandise, so the commercial message, even more blunt, sincere and compelling, must reach the client. Still, nowadays the commercial message is not enough bring clients and drow the business. The marketer has to become specialist in using the IT facilities, such as marketing decision support systems (MDSS), in the process of taking importtant decisions : lancing an new product, spreading on a new market, chaging the supplier, chaging the commercial message,etc. the article shows how useful is MDSS in the process of taking decisions

Keywords. MDSS, decision models, economic challenges

Nicolas Fulli-Lemaire (Session A7)
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A Dynamic Inflation Hedging Trading Strategy using a CPPI

This article tries to solve the portfolio inflation hedging problem by introducing a new class of dynamic trading strategies derived from classic portfolio insurance techniques adapted to the real world. These strategies aim at yielding higher returns on a risk-adjusted basis than regular inflation hedging portfolio allocation while achieving a lower cost than comparable option–based guaranteed real value strategies.
Keywords: ALM, Inflation Hedging, Portfolio Insurance, CPPI.

Lin Huang (Session A7)
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Accounting Accruals, Future Operating Performance and Public Listing Effect
Authors: Lin Huang, Yan Shu

This paper re-examines the association between post-issue operating performance of Initial Public Offering (IPO, hereafter) firms and their earnings management behavior. We adopt a more accurate proxy to measure operating performance subsequent to IPO for Chinese firms over the period 1994--2010. Based on the regression analysis, we find significant evidence of declining operating performance in the IPO year and up to five years following IPOs in China.
This finding is consistent with the results of prior studies documenting the long run operating underperformance of IPO firms in other countries. However, when introducing earnings management into the regression model, the above IPO phenomenon turns insignificant, which indicates the potential role of earnings management in causing post-issue operating underperformance of Chinese IPO firms. Our results are robust to different proxies of earnings management and endogeneity concern.

Keywords: IPO, Underperformance, Earnings management

Chun-sing Lau (Session B7)
The Chinese University of Hong Kong, China

Option-implied correlation from iTraxx Europe index options to gauge contagious risk between financial and corporate sectors
Authors: Chi-fai Lo, Chun-sing Lau, Cho-hoi Hui

In 2011, the European debt crisis intensified the negative feedback loop between the troubled sovereigns and the financial sector. Towards the third quarter of 2011, the credit default swap (CDS) spreads for many banks have surpassed the highs reached post the Lehman collapse. The spillover effect of solvency risk between the financial and corporate sectors has emerged as corporates are dependent on the funding provided by banks. The option-implied correlation between financial and corporate sectors from the iTraxx Europe CDS indexes provides a quantitative measure for such spillover effect.

The iTraxx Europe Main index consists of 125 underlying CDS contracts on selected European entities based on their liquidity levels. The Main index further divides into two sub-indexes with 25 financial entities belonging to the Financials index, and the other 100 corporate entities belonging to the non-Financials index. In effect the two sub-indexes reflect market perspectives about the entire financial and corporate sectors within Europe. Options on iTraxx Europe indexes are traded in the OTC market with adequate liquidity. Options are forward-looking in nature and thus are a useful source of information for gauging market sentiment about future values of financial assets and their correlation.

While the option-implied volatilities of the Main and Financials indexes have daily quotes from market, the implied volatilities of the non-Financials index and the implied correlation between the two sub-indexes are missing. Based on the Black (1976) model, we propose a simple stochastic model for the three iTraxx indexes and derive closed-form formulae to estimate those two missing quantities. The rationale behind was to assume that the correlation structure between the Financials and non-Financials indexes are being reflected in the option on the Main index, which is simultaneously considered as a basket option with the two sub-indexes as two correlated underlyings.

The daily option-implied correlation is then used to study information transmission between the iTraxx indexes and their corresponding options. The Granger causality test and cross correlation function are used to assess preliminary lead-lag relationship between the option-implied correlation and the realized correlation estimated by dynamic GARCH method. Following the two-stage price innovations regression method of Acharya and Johnson (2007), the information flow is studied more rigorously and all results reveal a robust one-way flow. The option-implied correlations were evidently leading the realized correlations. It suggests that the option-implied correlation may be used as an early indicator to gauge contagious risk between the financial and corporate sectors in Europe. Four macro-financial variables are then examined as major determinants of the option-implied correlations based on a regression analysis. The sovereign default risk, funding liquidity risk, level of risk aversion, and equity market performance were found to be significant determinants, implying inter-dependence and contagious risk amongst various markets during the European debt crisis.

Susanne Leitner-Hanetseder (Session A7)
University of Linz, Austria

Quality and Determinants of Risk Reporting - Evidence from Germany and Austria

While risk reporting disclosures have been required in Germany since 1999, equal requirements have become mandatory in Austria and all member states of the European Union only since 2005. The analysis conducted includes the risk reporting disclosures of all non-financial companies listed in the German prime stock market (DAX-30) and Austrian prime stock market (ATX). The purpose of this study is to investigate information quality of risk reporting disclosures within the annual reports of Austrian and German listed companies by using a scoring model. As most industries (except finance industry) have been affected by

the financial crisis in the second half of 2008, also the risk reporting could be affected by the financial crisis. To identify the impact of the financial crisis on risk reporting the study analysis the risk reporting disclosures of the financial years 2007 and 2008. Based on these data, also a multiple regression model was used to identify specific determinants on information quality of risk reporting disclosures. The findings indicate that information quality of risk reporting increases over time and index and quantity of risk information disclosures are a determinant for the information quality of risk reporting.

KEYWORDS**:** risk reporting, scoring model, regression model, quantity of risk reporting disclosures, quality of risk reporting disclosures

Dimas Mukhlas (Session B6)
University of Agder, Kristiansand, Norway

Measuring the Impact of Intangible Asset Investment toward Company Financial Health and Company Agency Problem
Empirical Research from Indonesian Companies during World Economic Financial Crisis 2006-2011

The thesis examines the impact of intangible investment toward company's health from 3 perspectives. The indicators of company's health are company performance, solvency ratio, dividend payout, and debt proportion. Intangible asset analysis was chosen here because of its special characteristic. The first is the character which gives benefits to company. Secondly is the character that put the company in risky point. Intangible asset as the asset of production has equipped the employee with better skills and knowledge on productions. On the other hand, an intangible asset that does not have physical evidence triggered the liquidity problem of the company. Indonesia was chosen as the place of observation because of their growth in intangible asset investment. Based on OECD, after 2002, either Foreign Direct Investment or Intellectual Asset in Indonesia has increased. The thesis attempts to analyze how the impact of this assets toward company performance during the crisis. The research involves 158 Indonesian stock listed companies where the data has been collected from 2006 until crisis 2011. Looking at market value of company, intangible value of company, the dividend policy, and corporate financial structures, empirical evidence reveals a significant positive relationship between the amount of intangible asset and the market value of company.

Waltraud Öller (Session B7)
University of Linz, Austria

The external auditor's view on risk disclosure – empirical evidence from Austria

In recent years risk disclosure has received notable attention in legislation and also in international academic research. The purpose of risk disclosure is to provide information tovexternal stakeholders to assist them in their decision-making. However, the impact of risk disclosure on stakeholders' decision-making is hardly investigated and thus, effectiveness of risk disclosure is still undetermined. In this paper we attempt to contribute to the understanding of the effectiveness of risk disclosure by scrutinizing the credibility of risk information. For this purpose we conducted nine in-depth expert interviews with certified public accountants of the Big Four auditing companies in Austria. Our findings suggest that risk disclosure, although generally in accordance with the law, is perceived as difficult to understand and therefore likely not to be considered in stakeholders' decision-making. In addition, auditors doubt that an external audit can substantially increase credibility of risk information. Furthermore, external auditors question that they have sufficient information and expertise to verify risk disclosure and the risk management system. The interviews also revealed a critical view on further legal requirements for risk disclosure as this will hardly contribute to an increase in credibility of risk disclosure.

Carina Öppinger and Natascha Jarolim (Session B7)
University of Linz, Austria

Fair value accounting in times of financial crisis

Fair value accounting is an essential part of the IFRS standard setting. Even though this method did not spark the financial crisis it added to its impact.
The crisis originated from the economic boom of the last years. This upturn caused a lot of book profits which were the result of an overvaluation of financial instruments. These high and unrealised revenues caused a massive increase in profit and owner's equity. However, the uniform impact of fair value accounting during times of negative prosperity seems to be forgotten.
In times of financial difficulties, market activity drops intensely. In case of market inactivity a valuation method has to be chosen from the second or third level of the fair value hierarchy. Therefore, it is allowed to value by means of discounted-cash-flow-models. An interest rate has to be chosen that reflects maturity and risk. This interest rate is composed of a risk free rate and a spread for credit and liquidity risk. Even minimal changes in the interest rate have great impact on the valuation yield.
Apart from the complexity of the valuation method, the classification of financial instruments causes enormous problems. This is mainly due to the fact that there was no exit-option from fair value accounting at the beginning of the crisis.
As a logical consequence of the financial crisis the IASB amended IAS 39 to override the fair-value recognition. According to the Amendments to IAS 39 & IFRS 7 Reclassification of Financial Assets (revised 2008) reclassification of the categories held-for-trading and available-for-sale were permitted, although prior to the amendment some of them were explicitly forbidden. Critics argue that these modifications to IAS 39 made it possible to camouflage losses of hundreds of billions of euros.
Apart from the difficulties associated with the crisis, there are several other problems aligned with fair-value-accounting. The majority of the fair value changes are presented in the other comprehensive income (OCI). Until 2009 the OCI was presented in the statement of changes in shareholder's equity. As a result, it was not included in the profit or loss statement. The IASB already addressed this presentation problem by amending IAS 1 (revised 2007) and by implementing a statement of comprehensive income which includes profit or loss and the other comprehensive income.
This paper deals with the above-mentioned problems of fair value accounting. They should be analysed using a widespread approach which also includes empirical methods. On the one hand, by conducting different case studies the interference of the fair value valuation using discounted-cash-flows should be shown. On the other hand, an analysis of several elected financial service firms should document the impacts of the intermission of fair value accounting.
Another important aspect of this paper is to evaluate the upcoming IFRS 9 as this new standard will actually amplify the relevance of the other comprehensive income.
Consequently, this paper should give a critical reflection of fair value accounting and aims to establish a deep understanding of its interference. As the fair-value-trend continues, this seems to be a necessity for the economy as a whole.

Ali Rezaee (Session A6)
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Legal Aspects of Project Finance In International Trade

Major investments in various projects are the essential needs of any country and project financing is treated as the most common methods of investment. Clarifying the concept of project finance, risk, contractual frameworks and agreements and disputes resolution constitute the matter of this paper. For this purpose, analysis this matter from different perspectives and in order to harmonize and improve of defects, suggestions and actual guidelines have been introduced.

Keywords: Project Finance, International Trade, Dispute Settlement, Foreign Investment, Comparative Law**.**

Elizabeth A. Risik (Session B6)
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Option Market Overreaction to Stock Price Changes

There is evidence in the literature that investors misreact in the options market. Stein (1989) first documented this misreaction, and more recently, Poteshman (2001) showed that options investors overreact in the long term and underreact in the short term. Anecdotal evidence suggests that investors turn to the options market to act rapidly on pressing information. If that is indeed the case, it seems that there should be a systematic way to generate profits in the options market based on investor behavior. Bollen and Whaley (2004) found that there is no way of systematically obtaining such profits by writing stock options on individual stocks (even before trading costs). Our results stand in contrast to theirs in that we are able to find significant trading profits in writing options. The reason for the difference in results is in how we partition the individual stocks. Unconditionally writing puts and calls on stocks, we find results similar to theirs (although on a larger scale – we examine all the individual stocks in the S&P 100 while they look at the 20 stocks with the most actively traded options). When conditioning on recent stock price performance, however, we find that after large stock price movements, the strategy of writing options systematically provides profits for the investor. Following sharp stock price declines (of at least 10 percent), there is a statistically significant difference between the implied volatility of options (in particular, out-of-the-money puts) on that stock and the ex-post realized volatility of the stock. Examining short-term out-of-the-money puts, we find that following a five-day drop of at least 10 percent, implied volatility is on average 31 percent higher than the realized volatility on the underlying stock over the remaining life of the options. This staggering difference leads us to construct several profitable trading strategies, earning returns of between 8 percent and 20 percent over a 30-day period.
Our paper provides three significant contributions to the literature. First, we extend the similar work of Amin, Coval and Seyhun (2004) on index options to individual stocks, providing evidence of overpricing of individual options following movements in the underlying. Secondly, we provide a measure of overpricing of individual options, by looking at the ex-post realized volatility of options and comparing it to the implied volatility of options following a sharp movement in price. This overpricing is evidence of investor overreaction to recent information, whereas most prior literature has found option market overreaction only in the long term. Finally, we provide simple trading strategies, which in contrast to the existing literature, show that there is a systematic way to profit from writing individual stock options and hedging.
While there is no definite explanation as to why we find mispricing and are able to profit from it, anecdotal evidence suggests that following sharp price declines unsophisticated investors may panic. In panicking, these investors buy out-of-the-money puts on the stocks they own as insurance, causing the implied volatility of those options to rise, usually to levels higher than the volatility eventually realized by the underlying stock. We implicitly assume limits to arbitrage, which cause demand to have an impact on option prices, as shown in Garleanu, Pedersen and Poteshman (2009). This allows sophisticated investors to sell out-of-the-money puts on those stocks and delta-hedge, realizing significant profits. This set of events leads us to two directly testable hypotheses. First, following a sharp price decline, implied volatility should be higher than ex-post realized volatility. Secondly, the steeper the drop, the higher the difference between implied and realized volatility should be. We find strong evidence for both of these hypotheses.

Gülin Vardar (Session A6)
Izmir University of Economics, Turkey

THE RELATIONSHIP BETWEEN ACCOUNTING AND CAPITAL MARKET MEASURES OF RISK: EVIDENCE FROM CENTRAL AND EASTERN EUROPEAN BANKS

The objective of this paper is to investigate the link between accounting and capital market risk measures by drawing on a sample of 39 banks across Central and Eastern European countries and Turkey to determine how successful the accounting fundamentals were in reproducing the market-determined measures of risk. By applying panel data analysis, empirical results indicate that when total return risk is used as the dependent variable, the equity to total assets ratio, gross loans to total assets ratio and liquid assets to total assets ratio are found to be statistically significant. Only the coefficients associated with gross loans to total assets ratio and liquid assets to total assets ratio are statistically significant in explaining systematic risk. Surprisingly, none of the coefficients are statistically significant in explaining the variability in non-systematic risk (bank-specific risk). These findings also suggest that total return risk and systematic risk are perceived more by the shareholders than firm-specific risk in those Central and Eastern European Countries. The accounting variables are more important in explaining systematic and total return risk than firm-specific risk.

Keywords: Capital market measures of risk, accounting measures of risk, total return risk, systematic risk, firm-specific risk, Central and Eastern European Banks
Jel Classification: G21, G32, M41

Sui-Hua Yu (Session A6)
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Social capital and firm innovation: the influence of network structure and composition

Authors: Sui-Hua Yu, Wu-Jun Zhang

Intangible assets are crucial for a firm's success in the knowledge-based economy. Discussion of social capital, one such intangible asset, has recently gained prominence. The purpose of this study is to examine the relationship between social capital and firm innovation by analyzing a firm's network structure and network composition. In this study, we use the density of the relationships among firms in a social network and the network-level technological diversity to measure network structure and network composition respectively. An empirical investigation of electronics firms in Taiwan between year 2006~2008 indicated that the technological diversity in a firm's social network has an inverted U-shaped relationship with the firm's innovation performance. Further, the influence of a firm's social network density on its innovation performance is also an inverted U-shape. These results suggest that network technological diversity and network density can help increase innovation, while too much network technological diversity and network density can adversely affect innovation. Therefore, a moderate level of network diversity and network density can lead to the greatest innovation performance in a firm.
Keywords: Social Capital; Firm Innovation; Network Structure; Network Composition.

Christian Thamm (Session B6)
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Hot Takeover Markets, Financial Crises, and the Frequency of Shareholder Activism in Germany

This study examines 61 cases of minority shareholder activism in Germany between January 1999 and May 2011. The annual frequency of activist events is higher in periods of hot takeover markets and lower in crisis or post-crisis periods. Market reactions to the announcement of activist stakes are compared between the two periods. Abnormal returns are not significantly higher in periods of hot takeover markets as opposed to crisis and post-crisis periods. Capital market participants in Germany apparently do not expect takeovers as a result of minority shareholder activism. Actual takeovers of activists' German targets are a

rare event. Out of 24 corporations that were targeted in a hot takeover market only two are ultimately acquired by another firm. Six of the firms targeted during that period, however, initiate a share buy-back within 18 months of the disclosure of the activist stake. These results do not support the findings of Greenwood and Schor (2009) who document that abnormal returns for U.S. targets can be explained through the ability of activists to force target firms into a takeover.
JEL classification: G 01, G 14, G 34

Asmah Abdul Aziz (Session B7)
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A Study of Audit Lags in Northern Malaysia Local Authorities

Timely financial reporting is an important aspect for the usefulness of accounting information. Financial reports need to be prepared in a timely manner to provide users with information on financial performance in their decision making and in assessing the level of services provided whether the legal obligations are met. The purpose of this study is to investigate the contributing factor that influence the timeliness of financial reporting by local authorities in North Region for a ten year period from 2000 to 2009. The contributing factor that might affect the ARL is the availability of accounting software. In this study, the measurement used to measure the timeliness of financial reports is based on the audit report lag (ARL) which is the duration of time taken by auditors to certify the annual accounts of local authorities. The result of this study show that ARL for the local authorities in Northern Malaysia ranges from 4 months to 35 months for the ten year period. The results of this study also show that the availability of accounting software contributed as important factor that affect the timeliness of financial reporting of the local authorities. Overall, from the findings reveal that financial reporting is considered a low priority task by some of the local authorities.
Keywords: Timeliness, Audit Report Lag, Malaysia, Local Authorities

Filippo Antonio Dal Prà (Session A6)
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Beyond Stress Testing: Modelling Liquidity and Interest Rate Risks for (real) Corporate Measures

Authors: Filippo Antonio Dal Prà, Guido Max Mantovani

The financial crisis exploited the poorness of real liquidity risk perception in the banking system. The paper suggests a wiser uses of econometrics tools can be more effective in detecting banking risk in order to reduce bias in the decision processes. A methodology to better focus the real bank exposition to interest rate risk is proposed fixing several bugs related to the assessment of its connections with: (i) the credit risk embedded in loans; (ii) the concentration risk of assets and liabilities relating to specific customers; (iii) the volume risk, particularly for unexpected changes. The Veneto Banca experience and performance are used as gymnasium for a possible method development aiming to propose a standard for a more comprehensive corporate risk approach in banking, even for Regulators.

Keywords: Liquidity risk, ALM, corporate risk, risk premia
JEL Classifications: G21, E27, F47, D92