FMCG 2017 - Concurrent Session papers

Paper Number	PDF	Title	Abstract
1	PDF	Performance of Pakistani Business Groups During Energy Crisis	Considering the market imperfection theory, this study analyses the performance of Pakistani business groups using a data set of 253 firms from 2003-2012. We find that group affiliation plays a significant role in firm performance due to the group's ability to better cope with inefficiencies and facilitate the member firms' access to capital. Moreover, business groups become more integrated during industrial downturns. They are better able to absorb the negative shocks that the economy has suffered during the energy crisis, with the help of group level resources. Finally, the performance of Pakistani export-oriented firms is significantly negative during the energy crisis. Also, insignificantly lower performance by export-oriented manufacturing group affiliates during the crisis suggests that they pay more attention to their profitable local industry ventures during the energy crisis. Overall, our findings suggest that business groups perform better when market inefficiencies increase.
2		Insider Trading Around Earnings Announcements in Indian Firms	We use a modified event study method with variable event windows to explore whether firm insiders earn abnormal returns by trading before earning announcements. We also try to find out the variables that affect abnormal returns. We find that insiders earn abnormal returns from purchases but suffer losses from sales. These insights would go undetected if standard event study methods were employed. Finally, abnormal return depends on firm earnings, market capitalization, opportune number of days and type of insider transaction.
3		What Is the Economic Value of the Extractive Industries Transparency Initiative (EITI) Information Disclosure?	We examine the stock market reaction to the unilateral release of natural resources revenue payments information by the United States Department of the Interior in pursuance of the United States Extractive Industries Transparency Initiative (USEITI) candidacy implementation process. Our study provides, for the first time, an illustration of the economic value of information disclosed under the requirements of the Extractive Industries Transparency Initiative. Standard event study methodology, using a two-factor model incorporating an oil and gas industry index, is used to measure average cumulative abnormal return around the event date of the release of this information. We find positive average cumulative abnormal returns during the event period associated with the release of this financial information. The results thus show that, on average, the market reacts positively to the release of this information. The findings indicate that investors consider EITI information be relevant for the valuation of extractive companies, and thus, important for national resource allocation.

4		Effect of Say on Pay on CEO Compensation and Spill Over Effect on Corporate Cash Holdings: Evidence from Australia	In this study, we examine the impact of Australian Remuneration Amendment Act 2011 on chief executive officer (CEO) compensation and the association between CEO compensation and cash holdings. We also investigate the spill over effect of the new Act on cash holdings to better understand how the new legislation affects the framework of principal-agent relationship. Using a sample of top 300 ASX listed firms over the period of 2004 to 2015, we find the legislation leads to more (less) use of equity-based (cash-based) compensation. We also find that, without the legislation, CEO equity-based and total compensations are positively associated with firm cash holdings, confirming the precautionary/agency conflict motive. However, after the legislation, this association turns negative, that is, more equity-based and total compensations lead to lower cash holdings, indicating agency alignment motive. Our results are robust to different estimation techniques and several proxies of CEO compensation incentives. Based on the findings, we appraise the legislation for its achievement resulting in new perspective to enhance principal-agent interest alignment. Our findings provide an important insight to on-going debate on executive compensation.
5		Institutional Ownership and CEO Pay: Evidence from China	The effect of institutional investor on CEO pay patterns is investigated in this study. Using a large sample of China's listed firms between 2003 and 2015, it is found that mutual fund and Qualified Foreign Institutional Investors (QFII) play an important monitor role in linking CEO pay to both accounting and market performance and other institutional investors such as banks and insurance companies are more likely to joint and collude with executives, weakening the connection between CEO pay and accounting performance. Moreover, it is noted that independent institutional investors can still have positive effect in linking CEO pay to firm performance while dependent institutions have no significant effect when they are controlling shareholders in a firm. It is evidenced that the presence of independent institutional investors achieves governance in strengthening the positive relationship between CEO pay and firm performance.
6		CEO Compensation and Non-GAAP Disclosures	We examine the association between CEO cash and equity compensation and non-GAAP disclosure practices. We hypothesise that CEO compensation provides incentives for managers to disclose non-GAAP measures and these disclosures are made with opportunistic intentions. Using a sample of New Zealand public companies we find that the frequency of non-GAAP disclosures has increased over the sample period. There is an increase in the provision of reconciliation between non-GAAP measures and closely related GAAP measures. We document that cash salary, cash bonus and other cash benefits are significantly associated with the probability and frequency of non-GAAP disclosures while equity and stock options are not. Lack of reconciliation is positively associated with CEO short-term compensation. In particular mangers use these disclosures when their GAAP earnings benchmarks are missed. Our findings suggest that managers disclose non-GAAP measures with opportunistic intentions motivated by compensation.

7		The Equity-Financing Channel, the Catering Channel, and Corporate Investment: International Evidence	We examine how stock market mispricing affects corporate investment in an international setting. We find that investment is more sensitive to stock prices for equity-dependent firms than for non-equity-dependent firms in our international sample. Investment is also more sensitive to stock prices for firms located in countries with more developed capital markets (i.e., lower costs of raising capital), higher share turnover (i.e., shorter shareholder horizons), and higher R&D intensity (i.e., more opaque assets). More importantly, the positive relation between equity dependence and the sensitivity of investment to stock prices is more pronounced for firms located in these same countries. These findings are consistent with the equity-financing hypothesis and the catering hypothesis on corporate investment proposed by Baker et al. (2003) and Polk and Sapienza (2009), respectively.
8		Disclosure Standardization and Textual Sentiment in Equity Crowdfunding: New Zealand Evidence	Public equity crowdfunding involves the sale of shares to ordinary investors without mandatory disclosures so compliance costs can be kept low. In New Zealand this has been legal since April 2014. There is a limit on the amount of funds that can be raised but no limit on the number of investors, provided the firm raises funds through a licenced crowdfunding platform. Eight platforms have gained equity crowdfunding licences, supporting fundraising campaigns for over sixty firms so far. By analysing website and investment memorandum texts provided by crowdfunding companies this paper aims to detect signs of informal disclosure standardisation in the crowdfunding market. It also examines the role of disclosure quantity and sentiment in determining the success or failure of the campaign. Results show that the disclosures companies provide through platform websites are clearly grouped by the host platform. Companies using the PledgeMe, Equitise and Crowdcube platforms provide less disclosure and make less use of uncertainty terms than those using the Snowball Effect, AlphaCrowd, Liftoff and My Angel Investment Platforms. Textual sentiment does not appear to have a meaningful role in determining fundraising success, but providing more disclosure and including an investment memorandum does help. This paper makes a number of contributions to the small, but growing, literature on equity crowdfunding and financial disclosure. To the best of our knowledge this is the first research to identify factors relevant to success rates for New Zealand equity crowdfunding firms. Its comparison of different disclosure channels is also rarely undertaken in disclosure research, as is the analysis of text to measure the degree of similarity in disclosures made by firms seeking public funds.
9		Small Scale Private Equity: Demand Versus Supply	Pecking Order Theory predicts that corporate managers seeking external funding would preferentially use debt before equity (Myers 1984; Myers & Majluf 1984). Contrary to this expectation, our results suggest that a significant percentage (20% of generic SME and 29% of high growth firms (HGFs) respondents) of Australian small and medium-sized enterprises (SMEs) prefer equity funding to debt and would seek equity funding, if it were readily available. In exploring the supply side of small scale private equity (SSPE), our study reveals a mismatch between supply and demand, with supply being virtually non-existent, especially for those SMEs categorized as HGFs. In order to attract investment from PE firms, SMEs need to meet stringent criteria and our study found that only 1-2% of these firms have any chance of qualifying.

10		CFO Board Membership - The Effects on Firm Performance and Accruals Quality	This paper investigates the effects of an Australian CFO serving on their own company's board of directors on both company performance and earnings quality. We find no evidence of improved operating performance in companies whose CFOs have seats on their boards. Firms with CFOs as board insiders do however experience significantly lower stock market returns and accruals quality. These results are consistent with the agency perspective that the inclusion of a company CFO on the board of directors reduces board independence and has a negative influence on company outcomes. Our results are in sharp contrast to the US market, where CFO board membership is positively associated with accruals quality and firm performance.
11		Does Board Composition Follow Corporate Life-Cycles?	Using a sample of over 6,000 firm years and 36,000 directorships, we examine whether board composition follows a predictable pattern consistent with firm life-cycle. Our findings build on the established notions on board monitoring and mentoring, and extend the theoretical work by incorporating the life-cycle dimension. Our models explain as much as 71% of the variation in board composition and find that early stage, growth, mature and declining firm boards differ significantly. Consistent with the resource dependence theory, we find that mature firms have larger boards and higher expertise diversity, including expertise in non-business fields. Theory also suggests, and we confirm that the agency problem is mitigated by mature firms through the appointment of independent directors and an independent non-executive chair. Collectively, our results suggest that life-cycle has a significant impact on board composition.
12		Foreign Strategic Ownership and Minority Shareholder Protection: Evidence from China	We show foreign strategic shareholders provide monitoring protection by reducing excess leverage and intercorporate loans. Firms with foreign strategic owners are also associated with higher dividend payouts. The monitoring benefits are more prevalent in firms with less government involvement and are stronger when overall corporate governance is weaker. We use the relatively novel Promoter Foreign Legal Person shareholders as our main proxy, as these are long-term investors who face greater risks compared to other types of foreign investors in Chinese stock markets. As such, Promoter Foreign Legal Person shareholders have greater incentives to actively monitor and influence controlling shareholders.
13		Customer Concentration, Corporate Social Responsibility and Idiosyncratic Risk	This paper investigates the effects of customer concentration on corporate social responsibility (CSR) practices for a large sample of US firms. The findings show that firms with concentrated customers are associated with significantly more socially responsible activities than their diversified customer counterparts. Our findings also suggest that firms with customer concentration are associated with significantly more CSR activities that demonstrate CSR strengths as opposed to CSR concerns. Finally, we find that CSR activities mitigate the idiosyncratic risk for firms with a customer concentration, lending support to the argument that firms with socially responsible practices have reduced risk.

14		Carbon Risk and Firm Dividend Policy: Evidence from A Quasi-Natural Experiment	The paper examines the effect of carbon risk on firm dividend policy, exploiting the ratification of Kyoto Protocol in Australia as an experimental exogenous variation. The Protocol mandates Australia to reduce carbon emissions, thereby affecting firms in highest-emitting industries, or polluters. Adopting a difference-in-differences framework, we find that the perceived polluters decrease both probability and amount of dividend payouts relative to controlling non-polluters subsequent to the ratification. Two causal mechanisms of the effect are identified, including a relative decrease in profitability and increase in cash-flow uncertainty for the polluters. However, market reaction to dividend paying decisions of polluters relatively increases after the ratification, and the response is more pronounced for payers with higher cash-flow uncertainty. Further analysis shows that those polluting payers experience an increase in post-dividend profitability relative to non-polluting payers. These results are consistent with the hypothesis that firm dividend policy is significantly influenced by carbon risk.
15		Board Generational Diversity and Sustainability Reporting: Empirical Evidence from China	The purpose of our study is to explore the relationship between boardroom diversity and sustainability reporting in a Chinese context. We examine the effect of board generational diversity, board independence and board gender diversity to the extent of sustainability disclosure. Additionally, this study also examine the influence of board diversity on subsets of sustainability disclosure, namely, environmental, social and governance disclosure. Using a sample of 141 companies listed on the CSI 300 Index for the period from 2014 to 2015 and employing multiple regression analysis, we find that board generational diversity has a negative impact on sustainability reporting. We find that the level of sustainability reporting increases with board independence. The presence of independent directors on the board have a significantly influence on both social and governance disclosures. Our study sheds a new light on boardroom diversity in Chinese capital market. Lastly, the findings of our study may offer valuable guidance to corporate decision makers on these issues and be of interest to Chinese regulators and policymakers.
16		The Role of Auditing in Corporate Governance in Australia and New Zealand: A Research Synthesis	Corporate governance is of growing importance in Australia, New Zealand and all over the world. Corporate governance interacts with auditing and it is useful to understand how corporate governance and auditing affect companies. However, the interaction is not straight forward. To some extent, good auditing will lead to recommendations that will lead to improved governance; while on the other hand, good governance will lead to directors setting high standards including demanding a high standard of auditing. A related issue is whether better governance is a substitute for auditing or a complement. Previous studies of that issue have had mixed results. This review article provides a synthesis of Australian and New Zealand research about corporate governance and auditing that takes stock of what has been found and examines issues that can be explored using multiple studies. We conclude that despite extensive research, there is still considerable uncertainty about the effects of corporate governance mechanisms on auditing and the effects of auditing on corporate governance. The results are intended to be helpful in providing advice about policy in Australia and New Zealand, and in determining directions for new research.

17		Classification Shifting and Big 4 Audit Fee Premium	Classification shifting involves misclassifying operating expenses as non-recurring expenses to inflate the core earnings of the company. Managers are motivated to misclassify earnings because the market participants focus more on core earnings rather than just the bottom line GAAP earnings. Classification shifting does not lead to a change in the GAAP based net income and hence also limits the scrutiny of regulators and auditors. Though prior research indicates that Big 4 auditors are better than Non-Big 4 auditors in preventing accruals based earnings management, systematic evidence on former's ability in curbing such misclassification is surely missing. Therefore we extend prior research and examine if Big 4 auditors are relatively more likely to reduce classification shifting compared to Non-Big 4 auditors. Our results indicate that clients of Big 4 auditors report significantly lower levels of classification shifting compared to clients of Non-Big 4 auditors. Additionally, our results also indicate that Big 4 auditors charge higher fees than Non-Big 4 auditors and such higher fees are associated with a significant reduction in classification shifting.
18		Auditor Choice, Audit, and Nonaudit Fees: Evidence from Group-Affiliated Indian Firms	This study analyzes the auditor selection, audit fees, and nonaudit fees for Group-affiliated firms in India. The concentrated ownership of Group-affiliated firms induces agency problems. Big auditors with reputation to protect are likely to be diligent in certifying the accounts of their clients. Consequently, firms may choose their auditors based on the severity of agency problems. Our empirical results show that Indian firms affiliated to business groups select BigN auditing firms indicating that the Type II agency conflicts are more significant than Type I agency conflicts for these firms. The results also indicate that audit fees paid to BigN auditors are lower for Group-affiliated firms than non-Group-affiliated firms, but audit fees paid to non-BigN auditors are not significantly different for Group-affiliated and non-Group-affiliated firms. Consistent with the notion of auditor independence, the study presents empirical evidence that when a BigN auditor is selected, the Group-affiliated firms do not pay significantly different nonaudit fees as compared to non-Group-affiliated firms. Finally, when a non-BigN auditor is selected, the Group-affiliated firms pay significantly higher nonaudit fees as compared to firms not affiliated to groups.
19	PDF	National Culture and Stock Price Crash Risk	We examine the relation between individualism and stock price crash risk. Using a sample of 36 countries over the period 2000-2009, we find that firms headquartered in individualistic cultural settings are associated with higher stock price crash risk. We further explore possible explanations for this positive linkage between individualism and stock price crash. We find that individualism instills confidence in both traders and managers, whose aggressive trading and bad-news hoarding lead to stock price crash risk. Overall, our findings suggest that national culture, via individualism, is an important determinant of stock price crash risk.
20		Reforming the Securities Litigation: Evidence from Taiwan	The paper employs a multiple-litigation-period model to test whether initiating class-action litigation can protect stockholders' wealth. We find that fraudulent firms may trigger violations to compensate for their poor past performance. Additionally, empirical evidence demonstrates that losses of shareholders' wealth in sued firms are mainly caused by a dynamic filing effect and a permanent industry spillover effect. Consequently, we conclude that initiating class-action litigation could alleviate shareholders' wealth losses and that the threat of litigation could serve as an effective corporate governance mechanism.

21		An Evaluation of Market Responses to Corporate Disclosures in a Continuous Disclosure Environment	Our paper aims to explore the extent to which the market reacts to new public information at intraday level, and the timeliness (or speed) of price discovery at annual level in a continuous disclosure environment. Prior studies mostly concentrate on one type of announcements (e.g., earnings announcements) to examine its market consequences. Instead, by covering all of the public announcements on Australian Securities Exchange (ASX), our paper explores and compares the Cumulative Abnormal Returns (CARs) around different types of company announcements, taking good/bad news and price sensitivity into account. Our paper also examines the association between the different public announcements and the timeliness with which the value-relevant (i.e. earnings) information is priced before the earnings announcement is released. The results show that the market reacts more to the unexpected information (e.g., Progress Reports) than the expected information (e.g., Periodic Reports). In terms of the timeliness of price discovery, various results are observed in different sectors in different periods (before, during and after the Global Financial Crisis). Our paper contributes to market reaction literature by covering all categories of company announcements and comparing immediate market consequences for each type of announcements, and builds upon the timeliness of price discovery literature by linking the company announcements of each category on ASX to the timeliness with which annual earnings information is incorporated into share prices.
22	PDF	The Effects of Conference Call Tone on Market Perceptions of Value Uncertainty	Quarterly earnings conference calls convey fundamental information as well as manager and analyst opinion about the firm. This study examines how the market's uncertainty regarding firm valuation is affected by the abnormal tone of earnings conference calls. Using textual analysis of all publicly available conference call transcripts, we find that measures of abnormally negative conference call tones are positively related to measures of firm value uncertainty from the equity options market. Overall, value uncertainty is more sensitive to analyst tones than management tones, consistent with analysts' role as information intermediaries and active shareholder monitoring. Additionally, abnormal differences between analyst and manager tones in the conference call discussion section are strongly associated with increases in value uncertainty.
23	PDF	Informed Trading in Option Markets around Accelerated Share Repurchase Announcements	We find that the informed trading measures "abnormal O/S ratio" "abnormal option volume" and "abnormal implied volatility skew" are negatively related to event period abnormal returns for accelerated share repurchases (ASRs) announcements. This effect is stronger for call options and with more liquid options. The abnormal implied volatility spread has information content only for firms with the more liquid options. Further, we show that abnormal returns are positively (negatively) related to the abnormal call (put) volatility surface for options with longer terms to maturity. Overall, our study provides strong evidence of informed trading around ASR announcements.
24	PDF	Center of Volume Mass: How Does Aggregate Options Market Opinion Predict Future Equity Returns?	We uncover a novel stock return predictor from the options market, the volume-weighted strike-spot price ratio (VWKS) across all traded option contracts. High (low) VWKS indicates that the mass of options volume on an underlying stock centers at the out-of-the-money region of call (put) options, reflecting more optimistic (pessimistic) view about the underlying stock price by options traders. Empirically, VWKS calculated using aftermarket data positively predicts future underlying returns at the daily and weekly horizons. The predictability survives a long list of control variables including known return predictors from the options market, stock illiquidity, and past stock returns, and is robust to alternative measures of the center of options volume mass. Consistent with options traders exploiting advanced information, we find that VWKS has more persistent predictive power for stocks with higher information asymmetry, and that VWKS exhibits abnormal run-ups before both scheduled and unscheduled information events.

25		Forecasting Stock Market Volatility and Information Content of Implied Volatility Index	This study examines two issues pertaining to information content of implied volatility for the stock markets of India, Hong Kong, and Australia : (i) does the implied volatility index have additional incremental forecast power over and above the baseline GARCH models in forecasting stock market volatilities? ; and (ii) how do the measures of ex-post volatility viz., 5-min return-based realised variance and ranged-based realised variance affect the evaluation of the predictive accuracy of volatility forecasts? Empirical analysis has been done over a common sample period: January 2, 2008-July 29, 2016. To capture the stylized facts of fat- tailed distribution, volatility clustering, and leverage effect, we employ GARCH / EGARCH models with generalized error distribution. To examine the in-sample incremental information content of volatility index, volatility index is added as an exogenous variable in the conditional variance equation of the GARCH family models. We carry out one-day-ahead volatility forecasting exercise using a non-overlapping rolling window scheme. To compare the out-of-sample forecasting performance of volatility index with the base GARCH genre models, Mincer-Zarnowitz regression and encompassing test are conducted. For evaluation, we use return-based realised volatility and range-based realised volatility based on 5-min interval data as a proxy measures for true ex-post volatility. From the in-sample estimation, we find that the inclusion of the volatility index in the GARCH and EGARCH models significantly improves the model's fit i.e. higher log likelihood, lower AIC values and reduction in the volatility persistence. Hence it indicates that volatility index contains important information beyond GARCH genre models; and this is highest in the case of Hong Kong followed by Australia and India. The out-of-sample 1-day-ahead volatility forecasts assessed by the Mincer-Zarnowitz regression and encompassing exercise reveals that asymmetric EGARCH model provides better forecasts compared to symmetric GARCH models across the three markets. Implied volatility indices are not encompassed by the GARCH-type forecasts. The inclusion of volatility index provides a small but significant additional degree of forecast power and information
26		Stock Price Crashes Along the Supply Chain	This paper examines whether stock price crashes are contagious across firms via customer-supplier relationships. We find evidence that stock price crashes transmit from major customers to suppliers with a delay of up to two weeks. Moreover, this effect occurs only when investor attention is limited and cannot be explained by information opacity of the affected suppliers. Further analysis shows that a long-short trading strategy based on this effect generates significantly positive abnormal returns. In addition, major customers' crash risk can significantly predict the supplier firm being delisted or merged in the future. Our results are robust to a battery of sensitivity tests.
27		The Macroeconomic Determinants of Commodity Futures Volatility: The Evidence from Chinese and Indian Markets	This paper examines the macroeconomic determinants of volatility of commodity futures. The focus of this paper is on two emerging commodity markets, China and India. It covers commodity futures from different sectors, including agricultural commodity futures, metal futures and oil futures. The macroeconomic variables include both domestic and international macroeconomic information, which cover economic environment, monetary policy and financial market information. The GARCH-MIDAS model decomposes the volatility series into short-run and long-run, and allows to incorporate data with mixed frequencies. Taking advantage of this model, we include the daily price volatility and low-frequency macroeconomic variables directly in the model and investigate whether the macroeconomic variables can determine the long-run variance. The findings of this research show the existence of long-run volatility component. It also shows a significant relationship between low-frequency macroeconomic variables and long-run variance of commodity futures. The findings of this research indicates that both domestic and international macroeconomic information plays an important role in determining the emerging commodity futures price volatility.

28	PDF	Top Management Acquisitive Behaviour and Tax Avoidance	This study uses merger and acquisitions (M&A) activities as a proxy for managers' aggressive style and shows that firms with a higher degree of acquisitions (dollar value of acquisitions and number of acquisition announced in a given year) are associated with more tax avoidance. This finding is consistent with the idea that managers of firms that make self-maximizing decisions at the cost of shareholders in the form of high M&A activities within a short period of time are also likely to take high-risk tax positions. We also document that the negative effect of high acquisitiveness on tax avoidance is prevalent when CEOs equity based compensation increases in post-acquisition period suggesting agency problem is a key driver of high acquisitiveness and tax avoidance behavior. Additional tests show that managerial acquisitiveness is different from overconfidence in explaining corporate tax avoidance activities of the bidding firms.
29		Block Deals, Market Reaction and Monitoring Role: Evidence from India	We examine market reaction to block deals for diverse blockholder categories using a large sample of block deals from 2005-2015 in India. We investigate the relation between blockholder types and abnormal returns, while controlling for ownership structures, corporate governance characteristics, and firm specific financials. Finally, we use acquisition as a setting to explore the relationship between blockholder categories and the probability of a firm being acquired. Our main results suggest the 3-day CAR around block deals is positive and significant, however, the market response turns negative between 5 - 21 days. The cumulative abnormal returns corresponding to various blockholder categories shows negative reaction to grey institutions such as Banks and Grey corporates. The impact is positive for promoters, individual investors and investment firms suggesting signalling effect or monitoring motives. Our results corresponding to the corporate governance and ownership structure supports the monitoring hypothesis, and importance of strong corporate governance framework in countries such as India where investor protection is challenged.
30		The Impact of Trade Sale on Acquiring Firms' Internal Capital Market and Firm Value	In this study, we investigate the impact of acquiring private-equity backed company on acquiring firms' internal capital market and excess value. Using sample of 50 acquisitions in the UK between 2005 and 2014, we find high-q segments experience significant decline in industry-adjusted investment post-acquisition compared with that of low-q segments of the firm. We also find target firms usually have better investment opportunities than the average investment opportunities of existing segments within the firm. Interestingly, this does not result in more efficient internal capital markets post-acquisition as firms fail to change their investment policies. Our analysis shows diversified firms tend to trade at a discount, furthermore, there is no significant improvement in excess value post-acquisition.
31	PDF	Value Relevance of Corporate Donations	This paper examines whether corporate donations have an impact on a firm's market value. We analyse 52,199 firm year observations on companies from 42 countries between 1998 and 2014. The regression model used to investigate the value relevance of corporate donations is the Collins, Pincus, & Xie (1999) adaptation of the Ohlson (1995) model. Our analysis finds evidence that supports our hypothesis that corporate donations are value relevant, while controlling for firm specific variables. The evidence is robust to a range of robustness tests that include recognition of the effects of the GFC and differences in country size, stage of economic development, and the economic, institutional, and legal aspects of each country.

32		Equity Values and Prediction of Earnings with Disaggregation of Earnings in an Emerging Market	This paper examined the relative performance of aggregated and disaggregated earnings for valuation of equity and prediction of earnings in India. We measured three level of earnings disaggregation: aggregate earnings, total accruals and cash flows and four major constituents of accruals, then we estimate pooled as well as individual industry wise regressions. We adopted Barth et al. (1999, 2005) linear information structure grounded on the generalized version of Ohlson (1999) model. We compared our results with the studies based on developed market. Our findings say that aggregated earnings and its disaggregated components are value relevant, and the adjusted R-squares of every next disaggregated system are higher than aggregated systems, but in varying range across industries. Further, we find that the explanatory power to explain equity values increases with every next level of disaggregation of earnings specifically in the case of traditional industries and on the other hand the predictive power to forecast future earnings increases with every next level of disaggregation of earnings specifically in the case of high-tech industries. We also find that the investors are not capable of judging total accruals and cash flows separately for investment decisions in this emerging market.
33		Enforcement, GAAP Difference and IFRS Impact on the Value Relevance of Fundamental Signals	This study examines the impact of International Financial Reporting Standards (IFRS) on the value relevance of earnings and non-earnings fundamentals for 11 European countries plus Australia and whether the origin of rule of law, enforcement, audit environment and GAAP difference are matters that influence this IFRS impact. The findings reveal that both earnings and non-earnings signals individually, in combination and in aggregated form (F_Score) are value relevant for excess returns and the value relevance is mostly higher for Common rather than Code law countries. Overall, the value relevance of the model in terms of explanatory power is lower in the post compared to pre-IFRS period. IFRS had a negative impact on the value relevance of earnings and a positive impact on the value relevance of non-earnings signals (including cash flow from operations) as a whole, but mostly for Common law countries. The impact of IFRS on the value relevance of fundamental signals is higher when the enforcement and/or audit environment is high in relation to accounting standard compliance. Regardless of the GAAP difference, enforcement plays an important role in IFRS impact on value relevance. Additionally, the audit opinion is given higher weight by investors in low enforcement environments after adoption of IFRS. These findings will be of interest particularly to analysts, investors, standard setters, regulators and public policymakers in better understanding the behaviour of fundamental signals in different circumstances after adoption of IFRS.
34		Insider Trading and the Post-Earnings Announcement Drift	We show that trades by corporate insiders after an earnings announcement determine the extent of the post-earnings announcement drift anomaly. Contrarian trades mitigate the under-reaction to earnings announcements, and confirmatory trades allow price movements to continue in the same direction of the earnings surprise. These results are consistent with insider trading providing relevant information on transitory or permanent changes to the earnings process that allows the market to make appropriate inferences about the nature of the earnings surprise. Further, we find that contrarian directors' trades alleviate the anomaly even under circumstances of lower earnings precision.

35		Financial Integration in Asia Pacific and the Role of China: Examining Financial Linkages, Market Interdependence and Volatility Spillover	This paper examines the price and volatility dynamics between China and the major stock markets in the Asia-Pacific region around the 2015 Chinese stock market crash. Using dynamic forecasting models, including Bayesian VAR and BEKK GARCH, we explore volatility transmissions and spillover effects between China and eleven largest markets in the Asia-Pacific region. Based on structural break analysis, we break our sample into two sub-periods: pre-crash and post-crash periods. We find that price and volatility behaviours in the Chinese stock market are different during stable and stress periods. Price and shock spillovers from China to other regional markets are more significant during the bullish period as foreign prices are influenced by changes in China's domestic price. It is observed that innovations and "good news" emanating from China have stronger influence on prices of our selected international markets. However, the Chinese stock market also adjusts to the information flow from Asia-Pacific markets during the crash period in a short run. There is strong evidence of shock and volatility spillover effects from China to most Asia-Pacific stock markets during the turbulent periods. As majority of pairs of A(1,2) and B(1,2) are statically significant, this means volatility in one market (China) will bring considerable influence on the other emerging markets' volatility. This finding points to an increasing degree of stock market interdependence across these regional emerging and advanced markets. While our result suggests that the Chinese stock market is becoming more integrated with the regional financial markets, indicating the importance of China as a strategic financial centre in the region.
36	PDF	Key Drivers of the Financial Performance of the Demutualized and Self-Listed Stock Exchanges in Asia-Pacific	We examine the effect of corporate governance mechanisms and deterministic factors on the financial performance of stock exchanges from the Asia-Pacific region.Our empirical results show that an increase in the number of independent directors and board size has an asymmetric effect on the financial performance of self-listed exchange viz-a-viz demutualized stock exchanges. For the self-listed stock exchanges, an increase in the capital expenditure and sale of post trading and real time market information has a significantly positive impact on the financial performance. Our findings seem to suggest that, political consistency and forward planning was more effective in the developing necessary legal infrastructure for the operations of the self-listed stock exchanges viz-a-viz the demutualized exchanges. Self-listing after demutualization does not lead to consistently higher financial performance, therefore the governments should deliberate pragmatically over their demutualization plans which may not yield desired outcomes for the smaller stock exchanges.
37		Underpayment Versus Overpayment: How Does Corporate Governance Quality Affect CEO Pay?	Equity theory suggests that CEOs may be incentivised to pursue actions aimed at restoring equity when pay deviates from the predicted CEO labour market compensation rate. Using hand-collected data of 185 South African listed firms over a six-year period, this study investigates the effect of corporate governance (CG) quality on CEO pay deviation. Results suggest that whereas CG quality impacts negatively on total CEO pay deviation, this is only conspicuous when the CEO is overpaid. CG quality has no effect on CEO compensation when the CEO is underpaid. Also, CEO underpayment reduces firm value when the CG quality is poor. In contrast, CEO overpayment has no effect on firm value irrespective of the level of CG quality. The findings imply that recent CEO pay level agitations have resulted in the design of CG mechanisms that render CEO pay to be rigid upwards. The results are robust to alternative econometric techniques and endogeneity concerns.

38		Is Shareholder Activism the Missing Link in Corporate Governance? A Review of "Say on Pay" in Australia	This article attempts to shed further light on the efficacy of "say on pay" (SOP) voting regulation to improve corporate governance and curb the exploitation of shareholders' funds by powerful CEOs through excessive remuneration schemes. Australia introduced "two strikes" SOP regulation in July 2011, the only country to do so. Two years after the introduction of binding SOP, this study of 3,477 companies provides early evidence on its impact. We identify changes in shareholder voting patterns, changes to executive remuneration following shareholder dissent, and a willingness by the board to engage in management renewal following higher levels of shareholder dissatisfaction.
39		Stock Trading Behaviour and Firm Performance in the Absence of CEO Equity-Based Compensation	Using unique and proprietary daily trade data from all qualified market participants, our study empirically investigates the impact of trading on firm performance in a setting where CEO pay is not linked to stock performance. Based on a dataset including 3,775,646 daily trades for 414 NZX-listed firms and 35 qualified market participants over the period 1995-2011, we find that aggressive trading does not improve firm performance as documented in previous research. In fact, we provide significant evidence that aggressive trading actually hurts firm performance. Our study underlines the crucial role of CEO equity-based pay in the theory of governance through trading.
40		Family Firms and Cost of Equity Capital and Debt and Global Financial Crisis: Evidence from Australia	The purpose of our paper is to examine the impact of family ownership and the cost of equity and debt capital in Australia. We also investigate whether cost of capital and debt is associated with family ownership during the global financial crisis. The different characteristics of family and non-family firms lead to difference in the agency costs evident in the cost of equity capital and debt. Using 4,822 firm-year observations over the years 2000 to 2014 and employing multiple regression analyses we find that cost of capital and debt financing is higher for family controlled firms than the non-family firms. Further we find that family firms have higher cost of capital and debt compared to non-family firms during the global financial crisis.
41	PDF	Institutional Quality, Investment Efficiency and the Choice of Public-Private Partnerships	By using a sample of 625 Public-Private Partnership (PPP) partnering private firms from nine countries (1980-2015) at varying degrees of economic development and PPP market maturity, our study finds that the nature of firm that undertakes PPP investments varies. While private sector firms in economies with low institutional quality opt for PPPs to alleviate capital constraints attributed to underinvestment, those in economies with high institutional quality opt for PPPs to solve the problem of overinvestment caused by abundant cash flow. In the long run, the benefits of lower capital constraints through PPP investments are more significant in the economies with high institutional quality; hence our paper contributes to the extant debate on the role of institution quality by stating that the law-finance-growth hypothesis is more plausible as against the ”political-ties” hypothesis, to understand why private sector firms undertake PPP investments.
42		Cultural Diversity and Capital Structures of Multinational Firms	In this paper, we test to what extent cultural diversity within multinational firms affects their capital structure. We find that the higher the cultural diversity, the lower the leverage ratio. The negative relation between cultural diversity and the leverage ratio holds after controlling for firm-level determinants, country-level factors, and macroeconomic risks. Further, we show that cultural diversity influences capital structures of multinationals mainly through equity issuance instead of debt reduction. Our findings suggest that cultural diversity plays a significant role in determining capital structure of firms in a multinational setting.

43	PDF	Mandatory Corporate Social Responsibility: The India Experience	The idea that companies service a wide range of stakeholders dates back to the 19th Century but has gained increasing traction in more recent times. The question is what to do where the corporate sector fails to keep pace with societal expectations. The response of the Indian government was to make it mandatory for large corporations to spend funds on corporate social responsible (CSR) activities. In this paper, we investigate the success of this legislation both for the companies and the intended beneficiaries. We find that the impact of the legislation has fallen short of expectations both in terms of the volume of CSR expenditure generated and the activities to which it has been directed. In particular, we find that the legislation has had a negative effect on the relationship between CSR and profitability which in turn can have a perverse effect on the willingness of companies to spend in this area. We conclude that greater care has to be taken when implementing mandatory CSR if it is to be effective.
44		The Relationships Between Corporate Social Responsibility, Financial Misstatements and SEC Enforcement Actions	This study explores the relationship between corporate social responsibility (CSR), financial misstatements and the likelihood of a firm being subject to an SEC enforcement action for financial misrepresentation (AAER). We find that firms with more CSR strengths (socially responsible conduct) are less likely to be subject to an AAER. This is both because firms with more CSR strengths are less likely to engage in financial misstatements and because the reputational impact of CSR strengths reduces the likelihood of firms being subject to an AAER. In contrast, we find evidence that firms with more CSR weaknesses (socially irresponsible conduct) are more likely to be subject to an AAER, even though these firms are no more likely to engage in financial misstatements. Collectively, our findings highlight the multidimensional nature of the relationship between CSR, financial misstatements and SEC enforcement actions.
45	PDF	Impact of Corporate Governance on Sustainability Reporting: Empirical Study in the Australian Resources Industry	This empirical study evaluates the impact of corporate governance on sustainability reporting by investigating companies operating in the Australia's resources industry. Specifically, this study investigates the relationships between the total disclosures and, separately, the three aspects of sustainability disclosures - economic, environmental and social - and various attributes of board composition, including independent directors, multiple directorship, and women directors. Significant positive correlations were found between sustainability disclosures and the proportion of independent directors, multiple directorships and women directors on the board. Companies without CEO duality and those with a sustainability committee disclosed more sustainability information. These results provide empirical evidence to support that companies with greater board diversity that promotes more effective corporate governance are providing greater extent of sustainability disclosures.
46		Political Uncertainty and Credit Supply: Evidence from China	This study identifies an important mechanism through which economic policy uncertainty affects firm investment thereby overall economic growth. Using a large sample of China's listed firms, we find that economic policy uncertainty reduces firm access to bank loans. We argue that economic policy uncertainty reduce banks' incentives to lend, and thus discourage firms to invest. We also document that firm's connections with the governments and firm characteristics can relief banks' concerns about firm credit risks and potential financial distress. In particular, we find that the influence of policy uncertainty on bank lending incentive becomes weaker when firms are SOEs, have politically connected CEO/chairman or are from more corruptive regions. We also find that this influence is weaker when firms have larger size, more tangible assets or more internal funds. Overall, our results suggest that keeping the policy stable is beneficial for firms and contribute to the economic growth. Our study provides empirical evidence and confirms the real effect of economic policy uncertainty on overall economy.

47		Economic Policy Uncertainty and Corporate Cash Holdings	We analyse the impact of policy uncertainty on corporate cash holdings using the Baker et al. (2016) policy uncertainty index. We find that an increase in policy uncertainty leads to higher cash holdings, and the association is stronger for those firms who are more dependent on banks or government spending. The results also show that policy uncertainty positively affects value of cash holdings and cash-cash flows sensitivity. We further document that firms hold more cash when policy uncertainty increases to mitigate the negative impact of policy uncertainty on investment, and the mitigating role of cash holdings is more pronounced for more financially constrained firms. These results shed more light on the unsettled debate over the economic impact of policy uncertainty.
48		Politics and Liquidity	The equity market is more liquid under Democratic than Republican presidencies. This is apparent at the market level but is stronger in small, value stocks and in industries that are more sensitive to Democratic presidents. The effect is robust to different liquidity measures and time periods. It holds after controlling for the business cycle, macroeconomic variables, and the party with House of Representatives and Senate majorities. There is evidence that the liquidity effect is driven by a number of channels. Information asymmetry, volatility, and economic policy uncertainty are all lower during Democratic presidencies.
49		Overconfident CEOs as Outside Directors: Are They Better Facilitators for Innovation?	This paper examines the effect of overconfident CEO directors on corporate innovation and finds that such directors are significantly associated not only with greater innovation input as measured by R&D intensity, but also with better innovation output as measured by the number of successful patent applications and the number of patent citations. The results are robust to controlling for sample selection bias, reverse causality bias and other potential endogeneity problems. Further, overconfident CEO directors are associated with increased firm value and improved operating performance. Overall, the results suggest that overconfident CEO directors facilitate corporate innovation and help promote firm performance. Thus, this paper sheds light on the puzzle of why firms are willing to appoint CEO directors despite their non-positive effects on board monitoring, and it provides an answer from the perspective of board advising: overconfident CEO directors provide advice and counsel to CEOs, which is valuable for corporate innovation.
50		Is Heterogeneity a Stumbling Block to Innovativeness? A Tale of an Emerging Economy	Based on the premise that heterogeneity may have both positive and negative effects on firm outcome, we study the influence of board heterogeneity on firm innovation. Specifically, we examine 3 different aspects of board heterogeneity - demographic, education and experience - in order to gain more insights on the relationship. Using a sample of 345 observations, we find that gender, ethnic, and tenure heterogeneity of directors encourage firms to innovate. On the other hand, directors' heterogeneity on type of experience and external engagement are found to be detrimental to firm innovation. Further, this study finds that age and education heterogeneity had little impact in encouraging firms to innovate. The results obtained emphasize the importance of managing board heterogeneity and how these firms can benefit from its potential. This is consistent with the view that boards of directors may need to be configured in order for the benefits of heterogeneity to be attained and assist the firms in promoting innovative activities.

51		Does Transparency Stifle Innovation? Evidence from R&D Activity in Different Information Environments	Corporate transparency reduces information asymmetries between firms and capital markets, but increases the costs associated with information leakage to competitors. We study how a country's information environment affects corporate innovation, an activity characterized by both high information asymmetries and severe proprietary costs. Focusing on cross-country differences in the availability of firm-specific information to corporate outsiders, we find significantly higher rates of R&D investment in richer information environments. The information environment disproportionally affects R&D in sectors more reliant on external finance and more innovative, indicating that transparency facilitates innovation by reducing information costs. We draw similar inferences by studying quasi-experimental shocks to the information environment arising from the introduction of transparency-related security market reforms. Our work shows that the information environment in which a firm operates affects its propensity to engage in innovation, and in so doing identifies an important mechanism linking the corporate transparency environment with firm and economic performance.
52	PDF	The Value Relevance of Regulatory Capital Components	This paper examines the value relevance of regulatory bank capital components. Using quarterly U.S. bank data from 2001 to 2015, we empirically examine the value relevance of the following capital components: i) Tier 1 capital, ii) regulatory adjustments, and iii) Tier 2 capital. Our research design relies on multiplicative regression models that mitigate shortcomings of conventional research designs. Our results show that the value relevance of components of bank capital is stable over time, and only diminishes slightly during the global financial crisis. The regulatory adjustments generally have a negative association with market returns. Additional results show that positive adjustments to bank capital, e.g. Tier 1 hybrid capital instruments, are negatively associated with market returns. On the other hand, important deductions from capital (goodwill and intangibles) are positively associated with market returns. The association of Tier 2 capital with market returns becomes strongly negative after the fall of Lehman brothers. These results reveal inconsistencies in the way regulators define regulatory capital.
53	PDF	Indian Bank Ownership, Efficiency and the Global Financial Crisis: A Dynamic DEA Approach	This paper investigates the relation between bank ownership, efficiency and the global financial crisis. Using a sample of 59 Indian commercial banks covering a 10 year period from 2005 to 2015, we examined this in a dynamic Data Envelopment Analysis (DEA) framework that considers the effect of desirable and undesirable carry-over activities between two consecutive time periods. A robust regression analysis is then used in our second-stage analysis to identify the efficiency drivers. Our results show that foreign banks are more efficient than state-owned banks followed by private domestic banks. In terms of the crisis, foreign and state-owned banks were more efficient than their rivals. Second stage-analysis provides further support for our hypothesis that foreign banks outperform their domestic competitors. Bank size and profitability also contributed positively to bank performance and so larger and more profitable banks tend to have higher efficiency.
54		Determinants of Multinational Bank Profitability and Efficiency: Evidence from Hong Kong	We model the factors determining multinational bank (MNB) performance in a notable global financial centre, Hong Kong. We employ an empirical framework based upon the global advantage hypothesis of Berger, et al. (2000). We find that while cultural similarities are important in offsetting the liabilities of foreignness, comparative advantages are also relevant to MNB performance in Hong Kong, particularly home nation economic strengths and the information embedded in the bank-client relationship. We suggest that Hong Kong's role as a financial hub providing a foothold into China is also an important in explaining MNB performance in this host nation.

55	PDF	Conditional Equity Premium and Aggregate Investment: Is the Stock Market a Sideshow?	We document a strong relation between aggregate corporate investment and direct stock market risk measures. Consistent with the investment-based asset pricing model, the comovement with the proxies for conditional equity premium fully accounts for aggregate investment's predictive power for future stock market returns. Similarly, conditional equity premium is also a significant determinant of classic Tobin's q measure, although the latter has a much weaker relation with aggregate investment possibly because of its measurement errors. Moreover, the positive relation between aggregate investment and investor sentiment documented in previous studies reflects the fact that both variables correlate closely with conditional equity premium.
56	PDF	Superstar Fund Managers	This paper examines the effect of money managers' status on the subsequent money flows, performance, compensation, and risk-taking behavior of mutual funds. We take advantage of shifts in fund managers' status following the introduction of Morningstar's Fund Manager of the Year (FMOY) award. While our results show that investors respond positively to award-winning fund managers, we find evidence that award-winning managers generate negative risk-adjusted performance after receiving the award. Our further test shows that such underperformance is attributed to new money flows (i.e. diseconomies of scale). We also find award-winning managers are able to use their increased power to extract higher compensation. Finally, award-winning managers do not take on increased risks as implied by overconfidence. Our results suggest that the ex-post value consequences of superstar status for investors are negative.
57	PDF	The Impact of the Shanghai-Hong Kong Connect on Market Liquidity and Price Divergence	The economic growth of China has seen an increase in its demand for capital, fuelling its local stock markets. This paper examines a market liberalisation event between China and Hong Kong and its impact on market liquidity and price convergence for cross-listed stocks in the two markets. On November 17, 2014, the Shanghai Stock Exchange and the Hong Kong Stock Exchange introduced the Shanghai-Hong Kong Stock Connect (SHHKConnect), a bilateral investment channel between the two markets. The new channel brings with it accesses to new capital for domestic firms and trading expertise from new foreign participants for both regions. The SHHKConnect permits mutual market access for market participants, facilitating trade in each market using existing trading infrastructure. This study adopts a difference-in-difference methodology and finds that market liquidity as proxied by transaction costs, improves in both markets, for eligible stocks that are traded through the bilateral investment channel, three-months post November 17, 2014. Over a longer event horizon of six-months, liquidity in China continues to improve, whereas in Hong Kong it decreases. In addition, reported results identify that the pre-existing price premium between cross-listed China A-shares and Hong Kong H-shares, increases following the market design change. We attribute the increase in price divergence to the incremental improvement in liquidity in China vis-à -vis Hong Kong.
58		Investors and Choice Overload: Evidence from IPOs	This paper provides evidence consistent with retail investors experiencing choice overload when presented with an increasing number of IPOs to choose from. We find that both the average first day return and trading volume are lower in weeks with higher number of IPOs. However, with more IPOs, average return during the week following the first day of trading is higher. These findings suggest that proliferation of choices either debilitates or delays investor participation due to cognitive limitations.

59		Giving with the One Hand and Taking with the Other? Wealth Effects for Retail Shareholders in Unique Private Placements	Private Placements have long been used by corporations the world over as a quick and efficient means of raising equity capital. They are usually offered to selected institutions at a discount which results in non-participating shareholders suffering a wealth loss. Retail shareholders belong to the group most severely diluted by private placements. In Australia a unique structure offers retail shareholders the opportunity to buy new shares at the same price as those sold to institutions. Compared to traditional private placements, private placements with retail shareholder participation tend to be larger, more attractive and can be placed at a bigger discount without negative media attention, because companies are perceived to be "doing the right thing" by small shareholders. While companies offering private placements with retail participation may appear to be protecting retail shareholders, in fact such shareholders suffer a greater wealth loss, because these offerings are placed at a greater discount. In fact, retail shareholders are worse off as a result of PP structures that appear to be protecting them but turn out to be nothing more than "tokenism" in this regard.
60		Uncertainty and Investment Choice in a Real-Options Model of the Firm	We analyze the investment decision of a firm that has access to two distinct investment opportunities. An endogenous cash constraint means that the firm must not only choose the timing for each investment but must also often choose between investments. When compared to the unconstrained firm, the constrained firm may either accelerate or delay investment in a given project depending on the level of cash it holds. If cash is sufficiently low then the firm is forced to delay investment until it has enough cash for investment. When projects are symmetric, the introduction of a second project causes the firm to delay investment as it waits to see which project is better. When projects are not symmetric, in some states the firm will investment in a low-NPV, fast payback project over a higher NPV, slow payback project as the cash generated by the fast payback project better facilitates future investment. Investment in high pledgeability projects is also shown to be accelerated when the firm gains access to an additional project as these projects help to free up scarce resources for other investments.
61		Strategy, Carbon Accounting and Firm Carbon Performance: An International Study	Despite the perceptive positive implication of carbon accounting system on organisational performance, extant academic literature on this field remains under-researched and limits to single jurisdiction or nation. Furthermore, although the significance of strategy in influencing the design and application and management control system (MCS) has been discussed extensively, not much attention has been drawn to the interplay between carbon strategy and Carbon Accounting Systems (CAS). Using a sample consisting of 1181 firms participating in Carbon Disclosure Project (CDP) 2015, our research analysed a three-way relationship between carbon strategy-accounting-performance in a multinational setting. We found that the tightness of CAS is significantly influenced by organisational proactive strategy choices, with more number of proactive strategies adopted leading to the cumulative effect of increasing control tightness. A weak association of CAS and performance is also found, with a stringent target significantly enhancing carbon performance while managerial incentives and carbon reporting have no impact. Additionally, we found that organisational strategic choice can influence its performance with strategic integration and reduction initiatives having a positive impact and emission trading a negative impact.

62		CSR Reporting in Bangladesh: The Introduction of Corporate Governance Guidelines	This study investigates the impact of the introduction of the Corporate Governance (CG) Guidelines in 2006 on the level of corporate social responsibility (CSR) reporting in Bangladesh. Our dataset consists of 2,637 firm-level yearly observations from the annual reports of Bangladeshi publicly listed non-financial-sector companies during the period 1996 to 2011. We find that CG significantly increases the level of CSR disclosure and this relationship is stronger prior to mandated CG disclosure. Family firm CSR reporting levels are significantly lower than non-family firms, and this effect is stronger after the change in mandated CG disclosures. We find no evidence that board independence improves CSR reporting in Bangladesh
63		Mandatory Corporate Social Responsibility (CSR) Reporting and Financial Constraints: Evidence from a Quasi-Natural Experiment in China	This study examines the effect of mandatory Corporate Social Responsibility (CSR) disclosure on firms' financial constraints using a quasi-natural experiment in China that mandates a subset of listed firms to disclose their CSR activities. We find that mandatory CSR reporting firms experience an increase in financial constraints after the mandate. Additional analyses reveal that the increase in financial constraint is more pronounced for firms without political connections and with the weaker operating environment. The results suggest that CSR activities that can be valuable for seeking political connections in emerging economies come at the expense of shareholders, with increasing agency problem and financial constraints.
64	PDF	IFRS Adoption - Evidence from a Regulator	We provide descriptive evidence on the enforcement of International Financial Reporting Standards (IFRS) adoption in New Zealand. Although there remains a voluminous literature on the consequences of IFRS adoption, very little is known about the securities regulators' enforcement actions in case of non-compliance with IFRS. In this paper we document the matters raised by the Securities Commission of New Zealand in their Financial Reporting Surveillance Program for the period 2007 and 2010. The results show that main enquiries related to financial statement presentation, financial instruments disclosures, and related party disclosures. Regulators adopt a different perspective to auditors on the importance of various IFRS. This suggests that private enforcement (auditing) and public enforcement (regulation) are complementary activities. We also discuss the implications for current IASB issues, such as materiality and professional judgment in principles-based standards.
65		Gross Profit Manipulation through Classification Shifting	Prior research studies the manipulation of core earnings through the shifting of core expenses to special items while maintaining GAAP earnings constant. We attempt to study the manipulation of gross profit through the shifting of cost of goods sold to other operating expenses while maintaining core earnings constant. Further, we attempt to study whether such efforts are intensified to meet benchmarks of prior period gross profit margin. Furthermore, we attempt to study that within operating expenses, where does COGS get shifted to i.e. whether to selling, general and administration expense or to operating research and development expense. We also study whether shifting substitutes real activities management (RAM) to manipulate gross profit. Results indicate that shifting of COGS to operating expense (core earnings remaining constant) takes place to meet the benchmark of prior period's gross profit. With regard to where the shifting takes place, while initially, the shifting takes place to research and development expense alone when the incentive to meet the benchmark is introduced, it shifts to selling, general and administration expense. Also, results infer substitution towards shifting when the costs of RAM are high.

66	PDF	The Association between Goodwill Impairment Loss and Goodwill Impairment Test-Related Disclosures in Australia	We examine the association between goodwill impairment loss and goodwill impairment test-related disclosures in Australia. Using an Australian sample of firm-years with goodwill during 2007-12, we find that firm-years with understated goodwill impairment loss have higher goodwill impairment test-related disclosures in notes and vice versa. This is consistent with goodwill firms using disclosures as a way of enhancing the credibility of the goodwill impairment loss number when it is understated. However, we find no evidence that the stock market prices this goodwill impairment loss-disclosures association.
67	PDF	Individual and Institutional Informed Trading in Competing Firms Around Earnings Announcements	This study investigates individual and institutional trading activities before and after earnings announcements to infer informed trading in competing firms. We find evidence for individual and institutional informed trading in competing firms before earnings announcements. Magnitude of institutional (individual) net order flow coefficient decreases (increases) with lag length, suggesting institutional trading captures information faster than individual trading. Individual net order flow transmit information cross-stock when competitor is a small firm while institutional net order flow conveys information cross-stock irrespective of firm size. Institutional trading in competing firm exhibits cross-stock price impact before earnings announcements. Our results will be informative for regulators with regard to insider trading laws and provide insights on the impact of individual and institutional trading on cross-stock price discovery process.
68		Macroeconomic News Announcements and Market Efficiency: Evidence from the U.S. Treasury Market	This paper investigates the impacts of fundamental news announcements on market efficiency of the U.S. Treasury market. We use 2-, 5- and 10-year Treasury Notes high-frequency data from 2006 to 2012 to examine the role of public information release on the market efficiency. Besides, we also analyze the relationships between liquidity and the price efficiency of the U.S. Treasury market on announcement days and non-announcement days. Other factors that might influence market efficiency, such as uncertainty and investor attention, are also discussed. Our preliminary findings are: (1) after news announcement, the market becomes more efficient compared to the same period on non-announcement days; and (2) it takes about five minutes for the market to absorb the new information shocks.
69		Network Connectedness, Uncertainty and Net Spillover between Financial and Commodity Markets	We measure the return connectedness in US policy uncertainty, equity and commodity market between January 1990 to December 2015, with a specific focus on the net spillover transmission from one assets class to another asset class. Applying Diebold and Yilmaz (2012, 2014), we perform both static and dynamic analysis to measure the total return connectedness over our sample period. We use a dynamic analysis to measure net pairwise spillover and evaluate the net directional connectedness for each assets class. Finally, our visual depiction of the net return spillover transmission within a network connectedness framework provides specific information with strategic importance to cross-market portfolio managers.

70	PDF	Board Gender Diversity and Risk Management: And a View of the Financial, Investment and Liquidity Policies	This is the first comprehensive study of board gender diversity and its policy impacts on derivatives risk management, through an examination of the value, risk, and hedging effects. Applying a simultaneous equations model to address the endogenous effects of financial and derivatives hedging decisions, our findings suggest that women directors provide a monitoring impact on derivatives decisions that result in a hedging value premium and reduction in risk. Further, their influence through investment policies provide a value premium, and their financial strategies contribute both a value enhancing and risk reducing benefit to firms that use derivatives. In response to equity risk gender diverse boards encourage the increase in cash reserves. Additional quantile analyses support the monotonic associations of gender diversity with firm value, and with firm risk. We find women directors on boards are effective risk managers and policy makers. Whether this may be attributed to risk aversion as proposed by some researchers, conservative attitude or just better risk acumen, it suggests that board gender diversity adds value to boards of directors in their risk management of financial derivatives and therefore women should have a larger representation on boards of directors in firms that use derivatives.
71		Are Women Better Directors in the Boards?	We investigate how including more women in the top-level management affect the firms. The proportion of women on boards in Norway substantially increased with the introduction of gender balance law for public companies. Empirical findings reveal that female directors in the board are effective monitors. That is, they are efficient in curbing the executive compensation. They are also effective in protecting shareholder interests, by facilitating the return of more value to them. On the other hand, female CEOs are associated with higher value, similar to women in boards. We empirically show that women contribute positively to the value creation in companies.
72		Board Gender Diversity and Corporate Innovation Strategies	Recent regulatory changes in Australia require listed companies to implement policies for increasing board diversity and to report thereon. In this paper we examine the association between gender diversity on corporate boards and corporate innovation of a large sample of the top 500 listed companies in Australia during the period 2004-2015. Our descriptive statistics show that the proportion of female directors on boards increased markedly between 2010, when the 2nd edition ASX amended principles came into effect, and 2015. The results also show that board diversity is positively associated with corporate innovation after controlling for a number of firm-specific, ownership and governance characteristics and potential endogeneity with the two-stage least square tests. Thus, we inform the policy debate by providing empirical evidence supporting the business case for board diversity.

73		Who Starts a Self-Managed Superannuation Fund and Why?	Self-managed superannuation funds (SMSFs) “ small retirement savings funds with four or fewer members“ now manage almost one third of retirement savings in Australia, and serve over one million members. The number of SMSFs has increased to more than half a million in two decades. Yet little is known about the reasons people start the funds and how they are operated. We combine survey responses of more than 500 SMSF members and 500 large superannuation fund members to understand the motivation of SMSF members and how they compare with similar people who stay with a large fund. Control over investments and tax minimisation are the most common reasons for starting a fund. Satisfaction with large funds and unwillingness to take on the administrative burden of self-management are the most common reasons for not doing so. SMSF members do not show any greater financial skills than non-members, but they do display overconfidence, a higher risk tolerance and a more trusting attitude to financial professionals. We present evidence that the majority of SMSF members start their funds at the suggestion of financial professionals. We also show that the types of people who say they are thinking about starting a SMSF are different in significant ways from the types of people who end up as SMSF members, further evidence for the influence of the advice industry.
74		Implications of Causative Explanations in Earnings Press Releases for Financial Analysts	Managers regularly provide causative explanations for earnings in press releases. We use a textual analysis approach to classify these causative explanations and investigate how they affect the precision and accuracy of analysts' earnings forecasts. We find that firms' idiosyncratic causative explanations for earnings improve the forecast precision around press release dates, and this effect is more pronounced for bad news earnings; industry-wide causative explanations for bad news earnings, but not for good news earnings, also improve analysts' forecast precision. We further find evidence that idiosyncratic causative explanations for bad news earnings improve analysts' forecast accuracy around earnings press release dates. Overall, causative explanations for earnings help improve the precision and accuracy of analysts' earnings forecasts mainly when firms release bad news earnings. Cross-sectionally, improvement of forecast precision and accuracy is more likely for firms facing high information uncertainty (i.e., the great ambiguity of linking new information to firm value and performance) and for firms with focused operations.
75		The Monitoring Role of General Counsel: The Case of Stock Option Backdating and Stock Price Crash Risk	A General Counsel (GC) in top management teams serves a monitoring function within a firm. This study investigates whether the existence of a GC in top management teams is associated with lower stock option backdating and stock price crashes. Using a sample of U.S. S&P 1,500 firms in the period from 1992 to 2002 in the option backdating test and from 1993 to 2014 in the stock price crashes test, this paper provides evidence that the existence of a GC in top management teams is negatively related to stock option backdating and future stock price crash risk. These findings are consistent with those showing that GCs monitor the top management's behavior and protect shareholders' interests. GCs' monitoring can prevent top executives from opportunistic behavior and from hoarding and accumulating bad news and subsequent stock price crashes. Our further tests show that the negative relation between GC presence in top management and stock option backdating and stock price crash risks is weaker in GC firms with greater-powered GCs relative to GC firms with smaller-powered GCs. The large equity holdings of GCs in the greater-powered GC firms might contribute to this finding.

76	PDF	To Pay or Not Pay: Directors' Remuneration and Insolvency Risk in Credit Unions	This study examines the effect of directors' pay on insolvency risk in member-owned organisations, such as credit unions. This research uses a unique setting of Australian credit unions, where a significant shift is observed from a traditional volunteer board nature to one that compensates directors, to test the hypotheses. Specifically, this study investigates the impact of the remuneration of board members and other board governance and credit-union specific factors that are expected to affect credit unions' probability of insolvency. The main finding is that remuneration packages for credit union directors tend to decrease insolvency risk, measured by the accounting-based Z-score measure, only when directors are paid more rather than less. This study provides important insights into the ongoing global debate on whether or not to remunerate credit union board members and their relationship with risk-taking behaviour in the context of cooperative financial institutions.
77		The Moderating Role of Corporate Governance on the Relationship between CEO Compensation and Earnings Management	We examine whether the relationship between CEO compensation and earnings management varies, particularly when moderated by corporate governance. We use 300 companies listed on the ASX from 2005 to 2010. Our multivariate results indicate that the relationship between CEO compensation and earnings management changes due to the moderating role of corporate governance. The findings therefore justify more monitoring and scrutiny to limit the existence of opportunistic managerial behaviour and for the appropriate designing of CEO compensation packages. This should be done in such a way so that it increases the manager-shareholder alignment and reduces the agency problem.
78	PDF	Board Gender Composition, Dividend Policy and Cost of Debt: The Implications of CEO Duality	This study examines whether CEO duality affects the association between board gender composition, dividend policy and cost of debt among S&P 500 firms. Our results show that board gender composition positively impacts both a firm's propensity to pay dividends and the level of payouts. However, this positive association is only present in firms without CEO duality. We find no significant association between board gender composition and cost of debt, but when we split the sample into firms with and without CEO duality, we find a positive association for the former and a negative association for the latter. Overall, these results suggest that CEO duality could undermine the role of board gender composition in influencing dividend policy and cost of debt.
79	PDF	Audit Fees and Corruption	This study examines the relationship between the level of corruption and audit fees. We analyze 41,628 firm year observations on companies from 24 countries with differing but significant levels of corruption between 1998 and 2014. Using audit fees for the sample companies and corruption as defined by Kaufmann (2014) and while controlling for firm and country level variables we find that audit fees increase with higher levels of corruption. We also find that the Big-4 fee premium increases with the level of corruption. Our results are robust to a number of sensitivity tests. Our study addresses a gap in the literature on audit fees and provides a centerpiece for future research in this field.

80		Establishing a Regional Whistleblowing Policy: Directing to the ASEAN Economic Community (AEC)	Healthy corporate governance is necessary for captivating Foreign Direct Investment (FDI) and alleviating corruption. There is a significant positive relationship with FDI and negative relationship with corruption of developing countries' economic growth. Akin to other developing nations, there are two major challenges; increasing FDI and controlling corruption are faced by all countries in the Association of South East Asian Nations (ASEAN) namely; Malaysia, Indonesia, Thailand, the Philippines and Vietnam (except Singapore), for their economic development. However, recent statistics envisages that the amount of FDI in this region has surged from US$117.7 billion in 2013 to US$136.2 billion in 2014 and their growth of General Domestic Product (GDP) from US$1.3 trillion in 2007 to US$2.6 trillion in 2014. However the pervasion of corruption and governance indicators seems to be plummeting. Phenomenal practices of whistleblower policy in developed countries, especially in Europe and the US are turning out to be crucial elements for modern corporate governance and play important roles in fraud detection, enhancing FDI and GDP growth. Global Economic Crime Survey by PwC found 23% of fraud in the private sector and in the same year the Association of Certified Fraud Examiners (ACFE) found that 42% of private and public sector fraud are detected by whistleblowers. This is supported by another survey by the National Whistleblowers Center in the USA; 43% of frauds in private corporation are disclosed by whistleblowers, conversely, just 19% are detected by professional auditors. Thus, this paper aims to achieve twofold; first appraise how whistleblowing law and policy can captivate FDI and alleviate corruption in this region and second to what extends whistleblowing disclosure quality can reduce cost of equity. This study proposes whistleblowing disclosure scoring index as a new mechanism to integrate whistleblowing disclosure policy in ASEAN region. In addition, this is followed by a proposal for promulgating a comprehensive whistleblowing policy with inclusive internal and external program which is necessary for establishing strong corporate governance. From the empirical results,
81	PDF	Drivers of Corruption Risk and Stock Market Effects: Evidence from the Defence Industry	Since anecdotal evidence indicates that corruption is rampant in the defence sector globally, we examine the drivers of firm level corruption risk in the defence industry. Our empirical results indicate that visibility and shareholding are significant drivers affecting a firm's corruption risk. Large firms and listed firms have lower corruption risk, other things being equal. Further, higher managerial shareholding is associated with higher level of corruption risk. These results hold even after controlling for country level drivers such as institutional quality, cultural and economic factors. Interestingly, stock markets in developed countries react more negatively around the announcement to firms achieving low corruption risk scores. Firms with low corruption risk experience lower stock price volatility after the disclosure of corruption risk scores. Finally, we also find that the disclosure of corruption risk is associated with an increase in firm level market liquidity.
82	PDF	A Theory of Political Connections Through Lender Compensation, Enforcement, and Social Objectives on Interest Rates, Access to Credit, and Investment	I model the effect of political connections through the channels of lender compensation contract enforcement, and social objectives on financial outcomes such as interest rates, default rates, financial constraints, investment decisions, and the manager's decision about whether to be politically connected or unconnected. The model shows that the effect of political connections on financial outcomes depends upon the relative importance of each channel. By demonstrating the influence of each channel, the model helps explain many contradictory empirical findings about the relationship between political connections and financial outcomes.

83		Politician Tenure and Banks' Non-Performing Loans: Evidence from China	This study examines the relationship between politician intervention and banks' non-performing loans during politician's tenure. We argue that politician tenure is a measure of dimension of the incentives to intervene in the local business which is determined by their perceived promotion probability. Using a sample of 18894 bank branches at the county level, we find that there is a curvilinear relationship between politician tenure and non-performing loans (reversed U-shape). Further analysis shows that this curvilinear relationship is more significant for banks that are ultimately controlled by the government, banks that are located in regions with severe government intervention, during the period after the economic stimulus package is implemented, during the period when economic policy uncertainty is lower, and in regions where politicians have stronger concerns about their careers. These results are consistent with the view that politicians have strong incentives to use the government-owned banks to promote local economic growth which is favourable to their private goals, especially in the environment with significant government ownership in banking system.
84		Benefits of Downward Earnings Management and Political Connections: Evidence from Government Subsidy and Market Pricing	This paper examines the role of downward earnings management and political connection on the receipt of government subsidies and market pricing of subsidies. The results show a strongly positive association between downward earnings management and the receipt of such subsidies using both accrual and real activities. The results also reveal that established political connection is conducive to securing subsidies by poor performers, but not by good performers. Our market pricing analyses demonstrate that markets value subsidies positively, in general, but the effect is ameliorated in firms conducting downward earnings management. No discernible difference is found between the pricing of subsidies received by firms with political connections and those without.
85		The Impact of Debt Financing on Conditional Conservatism Following Mandatory Adoption of IFRS in Australia	Using Basu's (1997) earnings timeliness model, this paper examines whether the association between conditional conservatism and debt financing has changed following the mandatory adoption of International Financial Reporting Standards (IFRS) in Australia. First, we provide evidence that conditional conservatism and debt are positively related, suggesting that debt holders demand conditional conservatism measured as the tendency to recognize losses in a more timely manner than gains. Second, we find that conditional conservatism decreases for highly leveraged firms in the post-IFRS period. This decrease in debt holders' demand for conservatism is likely due to the increasing debt contracting costs under conservative reporting in the post-IFRS period.
86		SFAS 157 and the Predictive Value of U.S Bank Fair Values	This paper investigates whether the levels classified fair values based on SFAS 157 disclosed by US banks from the first quarter of 2008 have predictive value in relation to banks' future financial performance - as measured by banks' operating cash flows and earnings over a three-quarter horizon period. Furthermore, we provide evidence on the influence of the 2008-2009 global financial crisis on the relationships between the levels classified bank fair values and future performance, thus showing whether market illiquidity affected the underlying relationships. We also test for the impact of bank characteristics - size, capital adequacy and growth prospects - on predictive ability. Our findings suggest that the levels classified bank fair values have predictive value (with the level 2 bank fair values having the strongest predictive value) for both the future cash flows and future earnings performance measures. We also find that the global financial crisis did not negatively influence the predictive ability of bank fair values. Finally, the predictive ability of the net levels classified fair values is strongest for operating cash flows. The study supports the relevance of fair value, as indicated by predictive ability for performance, and thus makes an important contribution to the fair value accounting and accounting standard-setting literature.

87		The Influence of Investment Volatility on Capital Structure and Cash Holdings	Despite theoretical motivation, the relationship between investment volatility, capital structure, and cash levels is unstudied in the empirical literature. Our evidence suggests: i) firms with relatively high capital expenditure and acquisition investment volatility hold relatively higher levels of debt and lower levels of cash, ii) firms fund large capital expenditures and acquisitions by increasing debt or decreasing cash, iii) immediately after funding large investments firms reduce debt levels and increase cash holdings. Research and development investment volatility is related to lower debt levels and higher cash levels, and does not exhibit similar investment spike funding. Overall, our results are consistent with parts, but not all, of the DeAngelo, DeAngelo and Whited (2011) model.
88	PDF	Factors Influencing Share Buyback Decisions of Indian Companies	This study examines the motivation for share repurchase decision by taking 240 non-financial share buybacks from the period 1998-99 to 2014-15. It employs logistic regression model to find the association between the firm-specific parameters and share repurchase decision. The empirical findings corroborate the evidence that excess capital hypothesis, undervaluation hypothesis, liquidity hypothesis and employee stock option hypothesis are the prime incentives for share repurchase decision in India. In the Indian context, leverage hypothesis does not hold good because of restriction of the use of debt in share repurchase. The study doesn't support substitution hypothesis. The study for the first time, examines liquid hypothesis, employee stock option hypothesis and corporate governance hypothesis along with other hypotheses to know the impact of these on share buyback decisions. The result shows that share repurchasing firms are more liquid than non-repurchasing firms. This study finds a significant and positive relationship between stock options and the decisions to buy back shares, but it doesn't find any evidence supporting corporate governance hypothesis.
89		Do Governance Mechanisms Influence Financial Performance? Empirical Evidence from an Asian Emerging Market	This study determines the influence of corporate governance mechanisms on financial performance of listed firms in Thailand. Applying the System GMM, a developed econometric technique, on 445 samples of listed companies in the Thai stock market for a period ranging from 2000 to 2011, the empirical results show that corporate governance mechanisms have significant effects on performance of Thai firms. In particular, board of directors' characteristics and board subcommittees' characteristics appear to have significant impact on firm performance, while ownership structures including family ownership have no significant influence. These findings are important information for policy makers in constructing an optimal governance system, and for corporate firms and investors in shaping their understanding of corporate governance in Thailand.
90	PDF	The Corporate Governance - Performance Puzzle: New Insights	This paper provides newer insights on governance - performance relationship using recent data (2007 to 2015) on anti-takeover provisions' incidence in sample firms. Looking beyond the equally weighted methodology employed in related literature for constructing G-Index, E-Index, and Gov-Score, we present an alternate unequally weighted "new Governance (nG) Index" as governance proxy. We show that our proposed nG-Index traces governance - performance relationship more persistently than the equal-weighted measure. Firms with better governance structures are found to show higher firm values and superior operating performances in our sample period. Our analysis further reveals that a zero-investment hedge going long on poor governance stock portfolio and shorting the good governance one would have generated an abnormal return of over 1.33% per month or about 16% per year. This hedge is completely opposite to the long good governance - short poor governance strategy suggested in prior literature. We posit that such hedge reversal is an indication that, in recent years, investors underreact to good governance signals and/or seek compensation for high riskiness associated with poorly governed firms. Subsequent analysis reveals that poor governance firms have higher likelihood of future stock price crash risk, but shows relatively weaker support for the notion that investors underreact to good governance signals in short-run.

91	PDF	The Role of Voluntary Corporate Governance Mechanisms on Environmental Risk Disclosure: Australian Evidence	We examine the factors associated with the establishment of an environmental committee at the board level and its impact on the disclosure of environmental risks in an Australian context. Using a sample of Australian Stock Exchange firms disclosing their information to the Carbon Disclosure Project, we document a strong association between the existence of environmental committee and board independence, CEO duality, directors' share ownership, and institutional shareholding. Firms that belong to environmentally sensitive industries are more likely to have environmental committees. Furthermore, we find that firms with environmental committees are more likely to disclose environmental risk information and this leads to mitigation in information asymmetry between managers and stakeholders.
92	PDF	Shareholder Activism and CSR Disclosure	Our study investigates how shareholder proposal, as an evidence of shareholder activism affects CSR disclosure. Based on the non-legal binding nature of shareholder proposals, our study explores the impact of CSR shareholder proposal activism on the extent of CSR disclosure after controlling for corporate governance mechanisms existent within the firm. Based on a sample of 466 firm-years between 2006 and 2014, we find that CSR shareholder proposals do not significantly change the extent of CSR disclosure. Although we find that shareholder proposals increase social disclosure at the end of the first year, this impact does not continue in the second year. We also find that outside directors, as an internal governance mechanism, substitutes with the monitoring effects from shareholder proposals on the extent of CSR disclosure. Our research contributes to prior studies by exploring the monitoring effects of shareholder proposals on CSR disclosure.