

ABSTRACTS

1. SARBANES-OXLEY ACT OF 2002 AND IT CHANGE MANAGEMENT

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ABSTRACT

Compliance with the Sarbanes-Oxley Act of 2002 requires active cooperation from IT departments. Without adequate control and visibility in IT change management financial reporting may be compromised (Allen et al, 2004.) To be effective and efficient, IT change management system should follow certain principles and be able to answer certain questions. The paper formulates the requirements for IT change management and demonstrates their application through a redesign case study.

Keywords: IT Change Management, Sarbanes-Oxley Act, IT controls, IT Governance, COBIT, ITIL

2. THE STOCK MARKET'S REACTION TO CHANGES IN THE FEDERAL FUNDS TARGET RATE

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ABSTRACT

This paper examines the stock price reaction of individual stocks listed in the Dow Jones Industrial Average (DJIA) to Federal Funds target rate change announcements using daily stock returns over the period from January 2, 1996 to May 25, 2007. We measure such reactions using an event-study methodology to analyze the impact of changes in the Federal Funds target rate on individual stock returns using several event windows. Results indicate that, on average, the impact of a Federal Funds target rate decrease on stocks is positive while the reaction of a Federal Funds target rate increase is negative. The results also indicate that the stock market reaction depends on the industry sector.

Keywords: Event-study methodology, stock market reaction, federal funds target rate

3. ASSET SECURITISATION IN INDIA: THE IGNITIVE TOOL FOR THE INDIAN CAPITAL MARKETS

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ABSTRACT

The tool of **securitization** found its place in the Indian capital markets in the year 1991 when the first deal of securitization took place. This paper reviews the current scenario of the securitization market in India and then goes on to adopt a three pronged focus. After briefly introducing the concept of securitization popularly known as "Asset Securitization", it presents the different perspectives of the stakeholders viz. the Originator, Investor and the Indian Economy. Thereby it identifies the multidimensional benefits of securitization for India whose capital markets are still developing. **The originator's perspective** basically focuses on the benefits accruing to the originator of the securitization deal. **The Investors Perspective** focuses on the benefits accruing to the Investor who invests in a securitization deal with the help of a vehicle called the special purpose entity, thereby funding the originator for his financial requirement. Lastly **The Economy's Perspective** identifies how the national economy would be benefited by introducing the mechanism of securitization in its capital markets.

Keywords: Securitisation, Originator, SPV, Credit Enhancement, asset-backed securitization (ABS), mortgage-backed securitization (MBS), collateralized debt obligation (CDO).

4. EFFICIENT MARKET HYPOTHESIS AND CLASS ACTION SECURITIES REGULATION

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ABSTRACT

The authors discuss the implications of the 'Efficient Market Hypothesis.' as a theoretical basis for legal policies that impact both "Fraud on the Market" and 'doctrines in security regulation litigation. Discussion of litigation under the modern securities regulation will focus on the Baxter case, and how the policy decisions in securities law may reflect opinion about financial theories. The "Fraud on the Market" doctrine involves a presumption of deception in class action securities litigation. The presumption negates the obligation of proving investors separately relied upon fraudulent statements. It imputes to class members knowledge of hidden factors if cautionary language has alerted them to other dangers of this investment. As a result procedural limitations under the PSLRA of 1995 may limit remedies for defrauded securities traders. The authors examine these doctrines, theories and some of the cases in which they are critical components. Chief among the cases is the Baxter decision written by Judge Easterbrook. The Efficient Market Hypothesis and its degree of acceptance as good economic and finance theory, and the way that judges understand this theory, appears to explain the judicial and legislative policies embedded in these legal doctrines. This is an interesting result in the ongoing application of economics to law.

Keywords: Security Regulation, PSLRA, Bespeaks Caution Doctrine, Fraud on the Market, Efficient Market Hypothesis, Economics and Law, Class Actions, Discovery Limitation, Nuisance Lawsuits

5. ANALYST FOLLOWING AND EARNINGS FORECASTS FOR MULTINATIONAL FIRMS

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ABSTRACT

This study investigates whether analyst following and earnings forecasts systematically differ depending on multinationality. Operational complexity and resulting difficulty to forecast earnings for multinational

firms, compared with domestic firms, may create differences in analyst following and forecast accuracy and bias. Using a large number of samples in the post-Regulation Fair Disclosure era, we document that greater globalization ratios are associated with more analyst followings, less accurate and more optimistic analysts' forecasts. These findings hold true even after we control for managers' exercise of discretionary accruals to beat forecasted earnings as well as for previously identified determinants of analyst following, forecast accuracy and bias. Thus, we conclude that the globalization ratios influence analysts' decision which firms to follow and their performance.

Keywords: Analyst Following, Forecasts Accuracy, Forecast Bias, Multinational Firms

6. TOWARD A GLOBAL ACCOUNTING EDUCATION IN EUROPE

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ABSTRACT

The starting point of our research represents the role played by accounting in running business and in decision making process, underlying the importance of accounting education, a core element of a sound, credible accounting profession. Further, we present the key moments of accounting education regulation both at international and European level and the literature review. The research goes deeper into the European academic accounting education reform by highlighting the details of the process and the main result, concerning a recognized curriculum. The research presented in this paper represents the first stage of our important project, which is presented in the last part, further developments.

Keywords: Accounting Education, Accounting Profession, Educational Standards, Universities' Curricula

7. RELATIONSHIP BETWEEN ADVERTISING BUDGET AND INITIAL RETURN ON IPO

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ABSTRACT

In recent years, corporate and product-specific advertisements by many companies tended to cluster around their Initial Public Offering (IPO) dates. Advertising is one of the ways used by companies to communicate their value to prospective investors (besides the financial statement and prospectus). This article seeks to find the rationale behind the use of advertising and to measure the effectiveness of media spending by companies going public. This research measures the success of an IPO based on first day initial return, which is the difference between first day closing price and offering price. Obviously, there could be other factors influencing initial return. Advertisement could be one of them or it could be just a sign of well-prepared companies that tend to succeed with their IPO's. However, evidence from the Thai stock market 2004-2005 showed otherwise. More than half of the companies going public that had spent on media before their IPO found that their investment in media did not result in positive returns.

Keywords: Initial Public Offering; Advertising effectiveness; Thailand Stock Market

8. FINANCIAL STRUCTURE AND FIRM VALUE: EMPIRICAL EVIDENCE FROM THE UNITED ARAB EMIRATES

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ABSTRACT

This paper investigates the impact of financial structure on firm value in the United Arab Emirates emerging market. Financial statements of a stratified random sample of unlisted food firms are analyzed during the period 1996-2000. Empirical results show that debt to equity ratio has no impact on firm value. Furthermore, multiple regression analysis shows that business risk is the most important determinant of debt to equity ratio. It seems that the competitive capital market approach by Modigliani and Miller (1958) is favorable to the United Arab Emirates business environment. This may be due to the absence of any tax shield benefits of using debt and the low value of perceived bankruptcy and agency costs.

Keywords: financial structure, firm value, United Arab Emirates

9. EXPLORING THE USAGE OF 'FOUR FILTERATION TECHNIQUE' (FFT) FOR SCANNING COMPANIES IN CRISIS AND IN EVALUATING THEIR RECOVERY ECONOMIC WORTH

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ABSTRACT

The study explores the effectiveness of using Share Prices Trend Indicator, Earnings Before and After Tax Trends, the PNB Z-Score and Comparative Analysis of the Return on Shareholders Fund and Commercial Banks Fixed Deposits Rates, in scanning for companies in crisis or 'troubled companies', evaluating the economic worth of their recover and to further classifying them into Successful and Non Successful Turnaround Companies. One hundred 'troubled companies' are identified out of two hundred and eleven publicly listed companies of the Kuala Lumpur Stock Exchange through observations of their share price performance, earnings before interest and tax, earnings after interest and tax and by the Malaysian Z - Score (PNB Score) failure detection model test. They are further demarcated into 57 Successful Turnaround Companies (STC) and 43 Non Successful Turnaround Companies (NSTC) via comparative analysis between their return on shareholders fund and commercial banks fixed deposits rates.

Keywords: 'Four Filteration Technique' (FFT), 'Troubled Companies', Share Prices Performance, EBIT, EAIT, PNB Score, STC, NSTC, Corporate Strategies, Core Business

10. WHY ABC IS NOT WIDELY IMPLEMENTED?

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ABSTRACT

This paper uses the results of two survey studies to explore the most important contextual factors influencing the implementation of activity based-costing across firms. The results of the first survey, carried out in 1997 within the Plastics and Chemicals Industries Association (PACIA) in Australia proposed the perceived advantages and disadvantages of management accounting techniques as the most influential contextual factors influencing the implementation of accounting changes. The findings of the second survey carried out in 2002 within industries registered with CPA Australia as well as with PACIA highlight the significant impact of attributes (advantage/disadvantage) of innovation on decision to

implement or not management accounting innovations. Using the results of above surveys, this paper examines the level of association between attributes of innovation and the diffusion of activity based-costing. The findings suggest that the relatively low implementation of ABC across firms implies that decision makers remain unconvinced that whether ABC's advantages over traditional accounting techniques are high enough to pursue them to implement ABC in practice. In other words, this study suggests that one of the main influential factors significant to the implementation of ABC links to its attributes in terms of its relative advantage over traditional techniques; its complexity; its compatibility; the observability of its results and its trialability.

Keywords: ABC; management accounting; diffusion and innovation.

11. UNDERSTANDING INTERNET ADOPTION USING COUNTRY-LEVEL DATA

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ABSTRACT

This paper examines the relationship between country-level factors and the different degrees of Internet adoption across countries. We hypothesize that the level of information technology development and users' technological sophistication in each country explains the different degree to which people use the Internet. Employing a panel data set consisting of 68 countries over a three-year period, the empirical study confirms our hypotheses.

Keywords: Internet Adoption Rate, Information Technology Expenditure. Users' Technological Sophistication

12. THE FINANCIAL POLICY OF ROMANIAN ENTERPRISES IN THE CONTEXT OF EU INTEGRATION

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ABSTRACT

In this paper, the authors highlight the general characteristics of the financial policy of the Romanian enterprise in the context of the EU integration. There are presented aspects regarding the financial policy at a microeconomic level, its components, among which is also taken into account the financial policy of the entity.

Keywords: macroeconomic policy, financial policy, fiscal policy

13. OPTIMAL DECISION BETWEEN FOREIGN TAX CREDIT AND FOREIGN EARNED INCOME EXCLUSION

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ABSTRACT

This paper explains that a U.S. citizen working abroad can choose either the foreign tax credit or the foreign earned income exclusion when calculating his U.S. income tax liability. By using the former, the

foreign tax paid can be used as a credit against the U.S. tax to the extent of the U.S. tax liability attributable to the foreign income; while the latter is limited to \$85,700 plus foreign housing cost allowance in excess of \$13,712 with a limitation depending on the location in the world where the income was generated. The tax rate bracket is determined as if no foreign earned income exclusion were taken. This paper further identifies what factors should be considered in determining an optimal decision between these two approaches. These factors include the foreign tax rate, the U.S. tax rate, the taxpayer's income and the statutory \$85,700 foreign earned income exclusion. Our findings suggest that if the U.S. tax rate is lower than the foreign tax rate, coupled with the taxpayer's foreign earned income being much more than \$85,700, it would be more beneficial to adopt the foreign tax credit approach. Otherwise, in all other situations, it would be more profitable to employ the foreign earned income exclusion approach. This paper presents numerous illustrations to demonstrate the tax implications associated with the two reporting choices under various scenarios. It further offers tax strategies for the situation where there are two foreign countries with two different tax rates. It also investigates the advantages and disadvantages of foreign active income and foreign passive income. In addition, this paper illustrates some tax planning techniques for high and low wage earners at different locations in the world.

Keywords: Foreign earned income, foreign tax credit, foreign earned income exclusion, foreign housing cost allowance, gross income, adjusted gross income, standard deduction, personal exemption, taxable income, tax bracket, tax liability, active income, passive income.

14. EARNINGS IMPROVEMENT OF MULTINATIONAL FIRMS USING FOREIGN INCOME

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ABSTRACT

Using data from 1984-2001, this study examines an association of multinational firms' foreign income with the practice of their earnings improvement. The empirical results indicate that multinational firms tend to use foreign income in order to improve depressed current earnings in anticipation of good performance in their foreign sectors in the following year. Nonetheless, no similar manipulation of multinational firms' domestic income is found.

Keywords: Foreign Income; Domestic Income; Earnings Management; Multinational Firms; Earnings Smoothing

15. IS FDI IN CHINA A FRIEND OR FOE TO U.S. INVESTORS?

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ABSTRACT

Foreign direct investment (FDI) has been undergoing immense popularity recently, and large U.S. MNCs are weighing out the options of investing in the fast-developing Chinese economy. U.S. MNCs have engaged in FDI all over the world and in the minds of investors, China is perceived as an opportunity for businesses to see profitability margins escalate to unimaginable figures. By investing in China, U.S. investors are hoping to capture abnormal returns in this fast-paced growing economy. Along with the positive attributes that China possesses, U.S. investors must be made aware of the risks of FDI in China. The risks that will be discussed in the paper will include banking risk (an uncontrollable risk) and cultural risk (a controllable risk). The inconsistent reporting of Chinese statistics will be briefly mentioned to add validity and significance to the study.

Keywords: Foreign Direct Investment, FDI, China

16. AUDIT STRUCTURE, ROLE STRESS, AND JOB SATISFACTION, ENVIRONMENT AND MOTIVATION: EVIDENCE FROM THAILAND

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ABSTRACT

This paper attempts to address three issues: First, audit structure related to role stress; Second, role stress related to job satisfaction; and Third, environment and motivation. The latter were considered as potential moderators affecting those relationships. It analyses empirical data from a sample survey completed by 119 auditors in Thailand. The Ordinary Least Square (OLS) regression analyses of the data indicate that audit structure is negatively related to role stress and role stress is negatively related to job satisfaction. Moreover, environment significantly moderates both of those concerns.

Keywords: Audit Structure Orientation, Job Satisfaction, Role Stress, Environment, Motivation.

**17. FINANCIAL DEVELOPMENT AND ECONOMIC GROWTH IN AFRICA:
A DYNAMIC PANEL DATA ANALYSIS**

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ABSTRACT

The paper supplements the existing finance-growth literature by bringing new evidences from developing countries, particularly from a sample of 44 Africa states for the period 1979-2002. In addition to static panel data estimates, the study also uses GMM methodology to investigate the dynamic link between financial development and economic performance. Results from the random effect estimates tend to suggest that that financial development, as measured by two independent proxies, has been contributing to the output level of the countries in the sample although not to the same extent as the other classical variables in the model. The positive link is also confirmed when using GMM panel estimates which moreover detected the presence of dynamic in the system.

Keywords: Financial Development, Economic Development, GMM

**18. THE IMPACT OF CHANGES TO NEW ZEALAND INSIDER TRADING REGULATIONS ON THE
PROFITABILITY OF INSIDER TRADING**

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ABSTRACT

In 2002, New Zealand insider trading regulations where changed so that disclosure was required within 5 days of a trade. Previously, a delay of up to 15 months could occur before disclosure was made in the company's annual report. This study compares the profitability of inside trades before and after the regulation change using data from 1996 to 2005. Event study methodology is used to compare the abnormal returns achieved by company directors in the two periods. The results show that insiders trading on the New Zealand share market generated substantial profits, or avoided substantial losses, as a result of their activities before the regulatory change. These abnormal profits disappeared in the period after the new regulations came into effect.

Keywords: Insider Trading, Regulatory Change, Company Directors, Event Study

19. BANK SIZE AND PROFITABILITY: ONE NATION, ONE BANK?

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ABSTRACT

This paper examines the profitability of banks within different asset size categories. Data from the 2004 "Call Reports" is used to categorize banks into five categories, in respect to their volume of total assets. Profitability in this study is measured by Return on Equity (ROE). Two analyses are implemented. First, tests are run on the mean ROE of the respective bank categories, to determine if there is a statistical difference in profitability. Next, a simple regression model is constructed, using dummy variables to proxy asset size. The hypothesis contends that there is a statistical difference in the profitability of these different sized banks.

Keywords: Banking, Financial Institutions, Profitability, Return on Equity

20. WHEN USCORP GOES GLOBAL: TAX RULES AND POLICY CONSIDERATIONS

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ABSTRACT

This article provides an overview of the tax rules and underlying policy considerations regarding the international tax system for a U.S. corporation (USCORP) commencing foreign operations. A USCORP must deal with many new tax laws and regulations, layered upon domestic operation tax rules, when commencing foreign operations (i.e. "going global"). With the U.S. being a modified worldwide tax system, tax provisions have been enacted in order to mitigate the inherent double taxation disincentives. Certain foreign entity forms have dramatically different tax results including liberal income deferral rules and flow through characteristics which require further tax laws to reign in potential abuses. Tax rules such as foreign tax credit and subpart F must be understood and managed to control the worldwide effective tax rate. A USCORP faces many new tax challenges in establishing a foreign entity and navigating the numerous complex international tax provisions when commencing foreign operations.

Keywords: international taxation, tax policy, foreign branch, controlled foreign corporation

21. AUDITOR EXPERTISE, AUDIT QUALITY AND CLIENT ACCEPTANCE

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ABSTRACT

Audit quality is a continuing issue in the accounting profession. This study investigates the relationships between auditor expertise, audit quality and client acceptance with continuous learning as moderator. The results from certified public accountant (CPA) in Thailand indicate that both knowledge and ability have positive associates with audit quality. Audit quality has also positive associates with client acceptance. The additional results show that continuous learning has highly positive associates with audit quality. Therefore, contributions and suggestions are also provided for future research.

Keywords: Audit quality; Expertise, Knowledge, Ability, Continuous learning, Client acceptance.

22. DOES CORPORATE OWNERSHIP IMPACT THE PROBABILITY OF INFORMED TRADING?

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ABSTRACT

For a sample of Canadian-based publicly traded firms cross-listed with either NYSE or AMEX, we find the probability of informed trading (PIN) of family-controlled firms to be similar to that of widely-held firms when the entire trading day is considered as an event period. Since our empirical findings strongly confirm different arrival rates of informed and uninformed traders for mornings and afternoons, we have serious doubts about any existing findings (including ours) about PIN based on the one period per trading day assumption. By considering two periods per day, we find that the PIN of family-controlled firms is less than that of widely-held firms (for the morning session), and we reach the same conclusion (for the afternoon session) for firms that alter their ownership status within the sample period of 2004-05. We develop a different formulation of PIN and show that this is significantly less than that developed by (Easley et al, 1996b).

Keywords: Family-Controlled Firms, Probability of Informed Trading (PIN), Information Asymmetry

**23. MICROFINANCE PROGRAM IN DEVELOPING COUNTRIES:
AN ANALYSIS OF THE IMPACT OF MICRO-CREDIT FOR THE WOMEN IN BANGLADESH**

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ABSTRACT

Micro-finance programs, towards targeting women claiming to help them establish their rights in raising their voices, establishing their opinions, and contributing equally with men in decision making in family planning, and loan uses for their economic improvement, have become extremely popular among donors and NGOs in recent years. This paper analyzes and identifies the factors affecting women's decision making about the loan use. Using primary data from two microfinance institutions in Bangladesh—Grameen Bank, the pioneer of microfinance institutions, and Bangladesh Rural Advancement Committee (BRAC), the largest NGO (Non Governmental Organization) in Bangladesh—, the authors have identified certain factors that will influence the women to take more independent decisions about the loan use. Also some factors have been determined that will trigger the men to take more decisions about the loan use without consulting their wives.
