ABSTRACTS

1. ENΤΙCING FАRMЕRS TO DO MORE: THE ЕFFECTS OF A FRАMED SUBSIDY ON GREENHOUSE GAS SEQUESTRATION EFFORT

Brian Scott, Washington College
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ABSTRACT

In this study we explore the effects of a framed subsidy to entice participants (farmers) to increase their carbon sequestration when this activity is costly and the benefits uncertain. The results are mixed. The experiment was conducted in Australia and the USA. The Australians in the control group attempted to sequester more, on average, than their counterparts, but this result was not statistically significant. The Americans were discouraged from attempting to sequester when exposed to the framed instructions, but weakly statistically significant. The standard deviations were greater with the framed instructions for both groups of participants. This experiment highlights the need to tailor environmental policy to the stakeholders that will be working with, or against, the policy.

Keywords: Framing, Experiment, Greenhouse Gas, Sequestration

2. ЕFFECTS OF CUSTOMER LEARNING CAPABILITY AND MARKETING PROFITABILITY: A CONCEPTUAL FRAMEWORK

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ABSTRACT

The objective of this paper is to examine the influences of five dimensions of customer learning capability on marketing profitability. The use of customer knowledge, customer information efficiency, customer quality response, value development success, and marketing advantage are proposed as mediators of marketing profitability. In fact, the business environment quickly changes in customer demands, competition, technologies, and regulations. Then, customer learning would be acceptable, which is an essential factor for business. Firms must concentrate and seek to understand how to respond to their customers. The quality of responsiveness is based on real customers’ needs through learning with customers. Then, learning is viewed as organizational capability, and also organizational capabilities are viewed as a resource. As a result, customer learning capability is a necessary resource of competitive advantage and profitability. The conclusion, contributions and suggestions are explicitly provided.

Keywords: Customer Learning Capability, Customer Knowledge Richness, Customer Information Efficiency, Customer Response Quality, Value Development Success, Marketing Advantage, Marketing Profitability
3. STRUCTURAL DRivers AND POLITICAL FACILITATORS OF LOCAL GOVERNMENT BANKRUPTCY AND THE TROUBLING CASE OF CAPITAL APPRECIATION BONDS

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ABSTRACT

The article outlines the seven major structural drivers of local government bankruptcy. A combination of some, but not all, factors is necessary for a full-blown bankruptcy to occur. In addition to cities and counties, school districts have been particularly hard hit by the fall in property tax revenues. The answer for many school districts has been to issue Capital Appreciation Bonds which allow for decades-long moratoria on payments and are held on the books at their discounted value, thereby avoiding statutory debt ceiling limitations. We strongly recommend the adoption of new state laws that bring back conventional bond practices and call for a renewed discussion about how such an imprudent trend in local government financing has occurred.

KEY WORDS: Local Government Default, Capital Appreciation Bond, School Districts, Payback Ratio

4. USING DEBT FINANCING TO INCREASE ONE’S WEALTH

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ABSTRACT

The purpose of this research paper is to explore how Americans currently use and could more efficiently use debt financing to supplement available equity financing to increase their wealth, to achieve financial success, consistent with the American dream. The research method uses the principles of finance and economics to explain, evaluate, and recommend efficiency improvements in personal uses of debt financing. The research findings show that Americans have reduced their use of debt financing during the 2008-2012 period, as the credit markets have contracted and credit standards have increased. Americans have become more debt averse and more risk averse in recent years, in response to a recession and financial crisis partly created by previous abuses of debt financing by both households and financial institutions. The U.S. credit markets have over-corrected. Americans now have an economic opportunity to more efficiently use debt financing to increase their wealth, at a manageable level of risk.

Keywords: personal financial planning, debt financing, investment planning, principles of finance and economics, debt management, risk management, the American dream
5. THE MYTH OF ALPHA RETURNS IN FOREIGN EQUITY INVESTMENTS

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ABSTRACT

The quest for above-average returns is the goal of today's investors. In the past, foreign investments offered investors resourceful gains. However, the days of higher returns in foreign markets are disappearing due to financial globalization. Increasingly, foreign investments measure higher correlations to U.S. indices. Synchronized foreign markets resulted from the global reach of information, improved disclosure regulations, standardization of financial information, global trade, coordinated central bank policies, increased market efficiency, and massive global capital flows. The added frictional cost and risks of foreign investments have made the promise of foreign alpha even more difficult to achieve. The paper considers developed and emerging market investment returns and their lockstep response to U.S. equity markets. Frontier markets are not necessarily global participants as they play by different rules and are often isolated from global events. Cooperation among developed and emerging nations and increased liquidity and capital flows contribute to higher correlations in returns and disappearing alpha in foreign equities.

Keywords: Alpha Returns, investing, globalization

6. AUDIT REVIEW PROFICIENCY AND AUDIT GOAL ACHIEVEMENT

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ABSTRACT

The main purpose of this paper is to explain the relationships between audit review proficiency and audit goal achievement. This paper generates and develops the concepts of audit review proficiency construct which has five dimensions; namely, audit planning monitoring, professional standards and regulatory practice verification, recommendation performance checking, information exactitude examination, and audit evidence sufficiency investigation. The consequences of audit review proficiency are audit practice accuracy, audit evidence completeness, audit report quality and audit goal achievement. The moderator is audit skepticism which has a positive effect on the relationships among the each dimension of audit review proficiency and its consequences. This paper provides three theoretical contributions to the literature of audit review proficiency. Firstly, this paper proposes five dimensions of audit review proficiency for theoretical and practical investigation. Secondly, this paper provides for advancing the literature via classifying many consequences of audit review proficiency, and develops a model to examine the relationships. Finally, this paper provides an important contribution to theory by advocating and expanding the knowledge-based view which is used to explain the conceptual mode. Additionally, guidelines about the planning and developing of audit review include human resource management which is appropriate for the audit task and provide managerial contributions. Future research needs to pursue empirical study in terms of a quantitative variable by collected data from tax auditors (TAs) and certified public accountant (CPA).

Keywords: audit review proficiency, audit planning monitoring, professional standards and regulatory practice verification, recommendation performance checking, information exactitude examination, audit evidence sufficiency investigation, audit practice accuracy, audit evidence completeness, audit report quality, audit goal achievement
7. OPTIMAL ASSET ALLOCATIONS IN DIFFERENT STAGES OF BUSINESS CYCLES

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ABSTRACT

Optimal portfolios maximizing the Sharpe ratio allocated 60% to stocks and 40% to bonds in expansions, and 100% to bonds in recessions. The optimal portfolio for the overall study period allocated 66% to bonds and 34% to stocks, resulting in a Sharpe ratio that was well below that in expansions, and only slightly higher than that in recessions. Investing in the different optimal allocations for expansions and recessions increased the overall risk premium by 70% while increasing the standard deviation by only 16%, resulting in a Sharpe ratio that was 50% higher than that of the fixed optimal allocations across business cycles.

Keywords: Optimal Asset Allocations, Business Cycles

8. USING SIMULATION TO SUPPORT THE R&D DECISION OF A PHARMACEUTICAL FIRM

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ABSTRACT

This paper illustrates how simulation modeling can be employed to support the R&D decision of a pharmaceutical firm. We do this in the context of a simplified but realistic example, where a drug company has just successfully completed the second phase of a three-phase process for assessing the effectiveness of a proposed drug in treating a targeted ailment with acceptable levels of side-effects. We provide step-by-step instruction for simulating the net present value and the internal rate of return of a ten-year pharmaceutical R&D project. The uncertainty lies in the efficacy of proposed drug and that of an alternative drug. Random too, are the initial size of the total market, and its subsequent exponential growth rate. Market share depends on the efficacy of proposed drug relative to that of the alternative drug, as well as, the subsequent introduction of new, alternative drugs in the market, which arrive in a random fashion. Finally, the ratio of cost of goods sold to sales and the terminal EBITDA multiple are also random. The problem is a variation of the Newdrug examples in chapters 19-21 of Andrew Metrick and Ayako Yasuda’s (2010) venture capital finance text.

Keywords: simulation, R&D, pharmaceutical

9. STRATEGIC AUDIT PROFESSIONAL COMMITMENT AND AUDIT SURVIVAL: A CONCEPTUAL FRAMEWORK

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ABSTRACT

This study aims at investigating the influences of strategic audit professional commitment on audit survival through professional citizenship behavior, best audit practice, and professional loyalty awareness. The mediator variables that are audit
quality, audit success, and audit survival are dependent on variables and dynamic audit learning that moderate the variables of certified public accountants (CPAs) in Thailand. Strategic audit professional commitment is a proposition that is to have direct and indirect effects on audit survival. Also, professional citizenship behavior, best audit practice and professional loyalty awareness are proposed to become keys mediators of the relationships among strategic audit professional commitment and audit survival. Also, dynamic audit learning is hypothesized to become the main moderator of the aforementioned relationships. In this study, certified public accountants (CPAs) in Thailand are the sample of the study. A conclusion, suggestions and directions for future research are emphasized.

Keywords: Strategic Audit Professional Commitment, Professional Citizenship Behavior, Best Audit Practice, Professional Loyalty, Audit Quality, Audit Success, Audit Survival

10. REEXAMINING CEO DISMISSAL AND KEY CORPORATE GOVERNANCE CHARACTERISTICS

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ABSTRACT

This paper focuses on comparing firms that do not dismiss any of their top executives with firms that fire their CEOs to examine what key corporate governance characteristics determine the two dismissal decisions. I find that a firm is more likely to dismiss none of the top executives if the board is smaller; the board has fewer independent directors; the board holds fewer board meetings a year; the CEO is in the firm for a shorter time; the CEO has higher ownership; the CEO is hired from outside; or the leverage is relatively lower.

Keywords: CEO Dismissal, Other Executives, the Board of Directors, Firm Characteristics, Corporate Governance

11. LINKING FDI INFLOWS TO COUNTRY INVESTMENT CLIMATE: A COMPARISON BETWEEN HIGH AND LOW PERFORMANCE COUNTRIES

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ABSTRACT

The purpose of this study was to determine which investment climate variable(s) best predict a country's potential for success in attracting inward Foreign Direct Investment. Using data from the World Bank and the UNCTAD collected in 141 countries, we found that labor regulation was the sole distinctive factor between high performance countries and low performance ones. Further manipulations using country potential as a covariate indicated that tax administration separated “front runners” from “below potential” countries, while labor regulations and policy unpredictability distinguished “above potential” from “under-performers” countries. Benchmarking implications for public policy makers and government agencies charged with the promotion of inward foreign direct investment and other private financial flows are derived.

Keywords: Investment climate, FDI performance, benchmarking, discriminant analysis.
12. AN EMPIRICAL ANALYSIS OF WORKING CAPITAL MANAGEMENT AND CORPORATE PROFITABILITY

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ABSTRACT

This paper studies the relationship between working capital management and corporate profitability. We use the cash conversion cycle (CCC) as a measure of working capital management inefficiency and return on total operating assets (ROA) as the profitability indicator. Our empirical findings suggest that there is a strong negative relationship between CCC and ROA for U.S. corporations during the 1983 to 2012 period. However, this negative relationship does not apply to all of the companies across industries. In our industry analysis, we find that there is a strong negative relationship between CCC and ROA for six industry sectors based on the Global Industry Classification Standard (GICS) codes. On the other hand, there is no significant relationship for the Materials sector, and the relationship is significantly positive for the Consumer Staples industry.

Keywords: cash conversion cycle, working capital, GICS