The 22nd Annual Conference on Pacific Basin Finance, Economics, Accounting, and Management

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4-5 September 2014,
Aichi University
Nagoya, Japan

The 22nd Annual Conference on Pacific Basin Finance, Economics, Accounting, and Management

Conference Organizers:

Aichi University, Japan

Rutgers University, USA

Foundation of Pacific Basin Financial Research and Development, Taiwan

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Chien-chung Nieh, Tamkang University, Taiwan

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Siti Norbaya Yahaya, Aichi Institute of Technology and University of Technical Malaysia, Melaka

Chau-Chen Yang, National Taiwan University, Taiwan

Tsung-ming Yeh, Akita International University

Gillian Yeo, Nanyang Technological University, Singapore

History of the Conference:

Year	Venue/Country	Host Organizer
1993	U.S.A.	Rutgers University, New Jersey
1994	Hong Kong	Hong Kong Chinese University, Hong Kong
1995	Taiwan	Taiwan Institute of Economic Research, Taipei
1996	U.S.A.	Rutgers University, New Jersey
1997	Singapore	Nanyang Technological University, Singapore
1998	Hong Kong	Hong Kong Polytechnic University, Hong Kong
1999	Taiwan	National Taiwan University, Taipei
2000	Thailand	Chulalongkorn University, Bangkok
2001	U.S.A.	Rutgers University, New Jersey
2002	Singapore	Nanyang Technological University, Singapore
2003	Taiwan	National Chiao Tung University, Hsinchu
2004	Thailand	The Consortium of Thai Universities, Bangkok
2005	U.S.A.	Rutgers University, New Jersey
2006	Taiwan	Foundation of Pacific Basin Financial Research and Development
2007	Vietnam	Ho Chi Minh City University of Technology, Ho Chi Minh City, Vietnam
2008	Australia	Queensland University of Technology, Brisbane, Queensland, Australia
2009	Thailand	University of the Thai Chamber of Commerce, Bangkok, Thailand
2010	China	Graduate University of Chinese Academy of Sciences, Beijing, China
2011	Taiwan	Foundation of Pacific Basin Financial Research and Development, Taiwan & National Chiao Tung University, Taiwan
2012	U.S.A	Rutgers University, New Jersey
2013	Australia	Deakin University, Melbourne, Victoria, Australia
2014	Japan	Aichi University, Nagoya, Japan

Conference Agenda: Day 1

Thursday, 4th September 2014		
9:00a.m. – 9:15a.m		Opening & Welcoming Speech: Aichi University **President Motohiko Sato**
9:15a.m. – 10:45 a.m		First Keynote Speech: **Prof. Kochi Hamada**
10:45a.m. – 11:00a.m.	Morning Break	
11:00a.m. – 12:30 p.m	BREAKOUT SESSION I	
	Session 1	Corporate Finance I
	Session 2	Banking
	Session 3	Investments I
12:30p.m. – 1:30p.m	Lunch	
1:30p.m. – 3:00p.m	BREAKOUT SESSION II	
	Session 4	Accounting
	Session 5	Bonds
	Session 6	Risk Management & Labor Market
3:00p.m. – 3:30p.m	Afternoon Break	
3:30p.m. – 5:00p.m.	BREAKOUT SESSION III	
	Session 7	Earnings and Accruals I
	Session 8	Chinese Stock Market
	Session 9	Investments II
6:30p.m. onwards	Conference Dinner	

Conference Agenda: Day 2

Friday, 5th September 2014		
9:15a.m. – 10:45 a.m	BREAKOUT SESSION IV	
	Session 10	Corporate Governance & CSR I
	Session 11	Information, Trading and Market Microstructure
	Session 12	Corporate Finance II
	Session 13	Investments III
10:45a.m. – 11:00a.m.	Morning Break	
11:00a.m. – 12:30 p.m	Special Session	**Professor Cheng-Few Lee (Rutgers University):**
12:30p.m. – 1:30p.m.	Lunch	
1:30p.m. – 3:00p.m	BREAKOUT SESSION V	
	Session 14	Valuation and Tax Issues
	Session 15	International Stock Market
	Session 16	International Finance
	Session 17	CEO
3:00p.m. – 3:30p.m	Afternoon Break	
3:30p.m. – 5:00p.m.	BREAKOUT SESSION VI	
	Session 18	Corporate Governance & CSR II
	Session 19	Earnings and Accruals II
	Session 20	International Management
5:00p.m	End of Conference	

Welcome Message Aichi University President Motohiko Sato

Dear Conference Participants,

It is my pleasure to welcome you to the 22nd PBFEAM conference hosted by the Graduate School of Business Administration, Aichi University, Nagoya, Japan. You will find this year's program diverse, with papers across a number of different areas. These range from corporate finance, asset pricing, and market microstructure in Finance to corporate social responsibility, financial accounting, auditing, and taxation in Accounting.

We are also pleased to welcome our keynote speaker, namely Prof. Kochi Hamada Professor of Economics at Yale University and Professor Emeritus at the University of Tokyo also as an advisor to Japan Prime Minister, Shinzō Abe. In addition, I wish to advise that selected papers from the conference will be published in the special issues of Review of Quantitative Finance and Accounting and Review of Pacific Basin Financial Markets and Policy.

I trust you will all enjoy this conference with its extensive program of a wide range of papers and prestigious keynote speakers.

Motohiko Sato
President
Aichi University

First Keynote Speaker: Prof. Kochi Hamada

Koichi Hamada is Tuntex Professor of Economics at Yale University, where he specializes in the Japanese economy and international economics, and Professor Emeritus at the University of Tokyo, where he taught before coming to Yale in 1986. Professor Hamada has an L.L.B. (he passed Japan's national Bar Examination in 1957), and an M.A. in Economics from the University of Tokyo as well as an M.A. and Ph. D. in Economics from Yale University. His work on policy coordination, one of which first applied game theory to international finance, was published as The Political Economy of International Monetary Interdependence (MIT Press, 1985), and some of his economic articles are collected in Strategic Approaches to the International Economy: Selected Essays of Koichi Hamada (Edward & Elgar, 1996). He is a fellow of the Econometric Society and served as its council member from 1980 to 1985. Hamada was the President of the Japanese Association of Economics and Econometrics (now the Japan Economic Association) from 1994 to 1995 and was the founding President of the Japan Law and Economics Association in 2003 (now its honorary fellow). He was awarded the imperial decoration, the Order of the Sacred Treasure, Gold and Silver Star, which is given to those who have accumulated distinguished achievements for Japan, 2006.

In Japan, he participated in many policy committees at the Ministry of Finance, MITI, the Economic Planning Agency and other ministries. Hamada also serves as one of the associate editors for many journals including Econometrica, Journal of International Economics, Journal of Economic Theory, Journal of Public Economics, Journal of Development Economics and Journal of the Japanese and International Economies.

Hamada's game-theoretic study of international monetary relations is regarded as one of the first studies that drew attention to the strategic aspects of macroeconomic policy in interdependent nations. He was one among the few who applied the methodology of "Law and Economics" to Japan's legal system in the 1970s. His current research topics include: international capital movements, regional integration, political economy of international monetary reform, economics and politics of Japan's last decade, a comparison of economic functions of the Japanese and the U.S. legal systems.

In 1997, Professor Hamada served as a member of the external evaluation team of the Enhanced Structural Adjustment Facility (ESAF) Program of the International Monetary Fund by request of its Board of Directors. He was a member of the Consulting Group that advised Mike Moore, Director General of the World Trade Organization (WTO), on the future perspectives for the world trade system, and he was until recently a member of the Consulting Group that advises Supachai Panitchpakdi, Director General of the WTO.

From January 2001 to July 2002, Professor Hamada was on leave from Yale University to serve as the first President of the Economic and Social Research Institute (ESRI, keizai Shakai sogo kenkyujocho), Cabinet Office of the Japanese Government. The ESRI engages in policy-oriented research and compiling the GDP statistics. Hamada was in a position to advise the Council on Economic and Fiscal Policy (CEFP KeizaiZaisei Shimonkaigi), a body created to promote the administrative reform (Kozo Kaikaku) chaired by the Prime Minister.

Koichi Hamada was a recipient of a Fulbright Scholarship, the Ford Dissertation Fellowship and the Center for Institutional Reform and the Informal Sector (IRIS) Fellowship. He was a recipient of Nikkei Tosho Bunka Prize (1967) for "Economic Growth and Capital Movements," the Ekonomisuto prize (1980) for "Banking Behavior and Monetary Policy." He was also awarded the Otto Eckstein Prize (1988) by the Eastern Economic Association for "The Impact of the General Theory in Japan," recognized as the best article in the Eastern Economic Review for the year.

Special Speaker: Professor Cheng-Few Lee, Rutgers University

Cheng-Few Lee is a Distinguished Professor of Finance at Rutgers Business School, Rutgers University and was chairperson of the Department of Finance from 1988–1995. He has also served on the faculty of the University of Illinois (IBE Professor of Finance) and the University of Georgia. He has maintained academic and consulting ties in Taiwan, Hong Kong, China and the United States for the past three decades. He has been a consultant to many prominent groups including, the American Insurance Group, the World Bank, the United Nations and The Marmon Group Inc., Wintek Corporation and Polaris Financial Group, etc.

Professor Lee founded the Review of Quantitative Finance and Accounting (RQFA) in 1990 and the Review of Pacific Basin Financial Markets and Policies (RPBFMP) in 1998, and serves as managing editor for both journals. He was also a co-editor of the Financial Review (1985–1991) and the Quarterly Review of Economics and Business (1987–1989). In the past 40 years, Professor. Lee has written numerous textbooks ranging in subject matter from financial management to corporate finance, security analysis and portfolio management to financial analysis, planning and forecasting, and business statistics. Professor Lee has also published more than 200 articles in more than twenty different journals in finance, accounting, economics, statistics, and management. Professor Lee has been ranked the most published finance professor worldwide during 1953–2008. In May 2013, Professor Lee earned the Siwei Cheng Award in Quantitative Management at the International Academy of Information Technology and Quantitative Management (IAITQM).

BREAKOUT SESSION I

SESSION 1: CORPORATE FINANCE I

#15 The Performance of Taiwanese Firms After a Share Repurchase Announcement

Chuan-Hao Hsu and Hung-Gay Fung, Feng Chia University

Abstract: This paper uses a stochastic dominance test to examine the financial performance of Taiwanese firms from 2000 to 2013 after their announcement of a share repurchase program. Our results show that the firms in the repurchase portfolio perform poorly prior to the announcement but improve dramatically to outperform different benchmarks after the repurchase announcement. For firms in the repurchase portfolio, we find that (1) the firms with a high book-to-market ratio outperform firms with a low book-to-market ratio, (2) smaller firms outperform larger firms, and (3) there is no significant difference in performance between firms with different percentages of completing the repurchase programs.

#44 Corporate Vanity and Stock Returns: A New Measure of Agency Costs

Foong Soon Cheong, Rutgers University

Abstract: I conjecture that firms with new and glitzy assets, as measured by extremely low accumulated depreciation, are likely to suffer from agency problem. A trading strategy that buys (sells) firms with high (low) accumulated depreciation yields an annual return of 14%. The return of this trading strategy is robust, and persists after controlling for profitability, firm age, size, P/E ratio, capital expenditure, abnormal capital investment, asset growth, leverage, momentum, earnings surprise, and industry and year fixed effects. In subsequent quarters, firms with low accumulated depreciation are significantly more likely to retire their old assets (despite having relatively pristine assets), pursue aggressive sales expansion (at a loss), and miss their EPS forecasts.

#75 The Relationship between Intraorganizational Networks and Organizational Innovation Performance

Sui-Hua Yu, National Chung Hsing University

Abstract: This study analyzes the structure of intraorganizational networks and shows how network structure influences the organization's overall innovative outcomes. Using patent collaboration network as the proxy for the intraorganizational network, we find that the cohesion of the intraorganizational network has the inverted U-shaped relationships with the organization's innovation performance. As for the centralization of the intraorganizational network, it has an adverse influence on the organization's innovative outcomes. Our findings indicate that different configurations of intraorganizational networks could lead to heterogeneous firm innovation.

DISCUSSANTS

#15: Sui-Hua Yu, National Chung Hsing University (shyu@dragon.nchu.edu.tw)

#44: Chuan-Hao Hsu, Feng Chia University (chuanhao.h@gmail.com)

#75: Foong Soon Cheong, Rutgers University (fscheong@andromeda.rutgers.edu)

SESSION CHAIR: Sui-Hua Yu, National Chung Hsing University

SESSION 2: BANKING

#86 Financial statements based bank risk measurement and aggregation with off-balance sheet items

Jianping Li, Xiaoqian Zhu, Lu Wei, Dengsheng Wu and Xiaolei Sun, Chinese Academy of Sciences

Abstract: Due to the problem of data sparseness, financial statements based approach to bank risk measurement and aggregation is receiving increasing attention from researchers, however, most of the studies curtly ignore off-balance sheet items. This paper aims to incorporate off-balance sheet items which are reported in the notes to financial statements into risk measurement. Specifically, other than balance sheet assets, off-balance sheet items are corresponded with risk exposures, which making risk exposures more accurate and rational. In the experiment, we construct two hypothetical banks of different sizes based on Chinese banks and calculate their economic capital respectively. The results show that : (1) Ignoring off -balance sheet items in risk integration will lead to deviations. The total risk of large bank is overestimated while small bank's total risk is underestimated; (2) although the large commercial bank's total loss per asset is small, it needs more economic capital to cope with risks because of its larger scale.

#93 How the Market Judges Bank Risk for US and Chinese Banks

Yibing Chen, Cheng-Few Lee and Yong Shi, Graduate University of Chinese Academy of Sciences

Abstract: Since 2007-2008 subprime crises, banking risk determination becomes a very important indicator for banking regulator and banking manager. The main purposes of this paper are: (i) to compare US GDP and stock index with Chinese GDP and stock index, (ii) to compare banking financial statements of JP Morgan Chase Bank and Bank of China and (iii) to use both single index and multi-index models to estimate banking risk for both US and Chinese banks.

We find that Chinese banks have higher market risk than those of US banks. In addition, we also find that Chinese economy grows faster than US economy. However, Chines stock market does not perform as well as US stock market.

#105 The Effects of Corporate Lending Structures Involving Multiple Banks on Corporate Risk Management

Vivian W. Tai, Yi-Hsun Lai and Ying Chun Lu, National Chi Nan University

Abstract: The higher the debt ratio of a corporation, the higher its level of distressed risk and the stronger its risk-shifting incentives will be. Hence, the manner in which lending banks, as creditors, play their supervisory role to mitigate this agency problem between shareholders and credit-holders becomes an important issue. Adopting the listed non-financial firms in Taiwan from 2005 to 2009, we examine the monitoring mechanism of structure of multiple

banks on corporate's hedging strategy and find that, for healthy firms, the higher the ratio of bank loans and the greater the number of foreign lending banks, the more effective the monitoring will be in forcing the companies to enhance their willingness to hedge and the extent of their hedging. Meanwhile, for financially distressed firms with a higher number of lending banks, the greater the divergence of the lending banks and the greater the number of multiple-banking relationships, the more effective the monitoring of the lending banks will be in pressing the borrowing firms to pursue stronger hedging strategies which may be able to mitigate their risk-shifting incentives and protect creditors' wealth. Additionally, the association between lending banks' structures and borrowing firms' hedging strategies is, after controlling for industry differences, stronger in firms with larger sizes, more growth opportunities, higher profitability, and greater transparency and robustness. Our findings are consistent with the risk diversification hypothesis of the structure of multiple banks.

DISCUSSANTS

#86: Vivian W. Tai, National Chi Nan University (whtai@ncnu.edu.tw)

#93: Jianping Li, Chinese Academy of Sciences (ljp@casipm.ac.cn)

#105: Yibing Chen, Graduate University of Chinese Academy of Sciences (chenyibing.cas@hotmail.com)

SESSION CHAIR: Vivian W. Tai, National Chi Nan University

SESSION 3: INVESTMENT I

#6 Market-Wide Sentiment and Analysts' Preference for Glamour Stocks

Kotaro Miwa and Kazuhiro Ueda, Tokio Marine Asset Management Co., Ltd.

Abstract: In this paper, we explore whether market-wide investor sentiment has an influence on financial analysts' stock recommendations by affecting analysts' irrational preference for glamour stocks. We predict that bullish market-wide sentiment strengthens analysts' preference for glamour stocks, and that this strengthened preference lowers the relative return performance of recommended stocks. Consistent with our predictions, we find that glamour stocks receive more favorable recommendations during periods of higher sentiment, although they experience lower stock returns following these periods. Further, we find that recommended stocks experience lower subsequent stock returns following a period of higher investor sentiment, and that this negative association between sentiment and relative performance is mediated by analysts' preference for glamour stocks.

#7 Quantitative Monetary Easing and Stock Price in the Asian Markets

Tatsuyoshi Miyakoshi and Kui-Wai Li, Hosei University

Abstract: We examine to see whether Japan, US or EU would be the main driver of stock prices in the Asian markets during quantitative monetary easing period (2001-2013). We found that the main drivers are the US and Japan in driving upward the stock returns of Malaysia (Singapore). This happened when Japan increased the growth rate of Japanese base money, while the US decreased the stock returns for most of the Asian country except for the South Asia. The EU monetary base has very limited effect. We found that the policy of advanced countries has significant influence on the Asian stock markets.

#29 Home Bias in Portfolio Choices: Social Learning amongst Partially-informed Agents

Wen-Lin Wu and Yin-Feng Gau, Feng Chia University

Abstract: Using an 'incomplete information' model, we set out in this study to explore the role of social learning in the global portfolio choices of stock market investors. It is presumed that, when attempting to estimate the true domestic (home) mean returns, partially-informed followers acquire their private domestic signals from partially informed leaders. However, our calibration results indicate the existence of home bias when partially-informed agents have poor quality information; they also show that such agents are prone to learning bias, which leads to them overreacting to new domestic information due to their overconfidence in their domestic private signals, whereas they demonstrate a conservative response to new information on the foreign markets. Any linkage between the private signals of partially-informed agents may lead to correlated foreign investment strategies amongst such agents through social learning. We suggest that the effects on international portfolio decision rules attributable to the acquisition of private signals and information dissemination should help to interpret the determinants of this observed phenomenon of home bias.

DISCUSSANTS

#6: Wen-Lin Wu, Feng Chia University (wlwu@fcu.edu.tw)

#7: Kotaro Miwa, Tokio Marine Asset Management Co., Ltd (miwa_tfk@cs.c.u-tokyo.ac.jp)

#29: Tatsuyoshi Miyakoshi, Hosei University (miyakoshi@hosei.ac.jp)

SESSION CHAIR: Wen-Lin Wu, Feng Chia University

SESSION 4: ACCOUNTING

#14 Management Earnings Forecasts and Accounting Conservatism

Bikki Jaggi, Joshua Ronen and Hua Xin, Rutgers University

Abstract: Hui et al. (2009) argue that accounting conservatism is used as a substitute for management earnings forecasts (MEFs) to reduce information asymmetry between investors and management, and they document evidence in support of their argument. In this study, we argue that accounting conservatism does not serve as a substitute for all MEFs. Instead it serves as a substitute for informative MEFs and not for opportunistic MEFs. Our findings showing a negative association of accounting conservatism with informative MEFs but not with opportunistic MEFs support our argument. Additionally, we document that accounting conservatism is especially used as a substitute for pessimistic MEFs. On the other hand, our findings show a positive association between accounting conservatism and optimistic MEFs, suggesting complementarity between accounting conservatism and optimistic MEFs. Furthermore, we document that accounting conservatism is especially used by firms with strong corporate governance, suggesting that strong corporate governance encourages the use of accounting conservatism rather than issuance of MEFs to reduce information asymmetry and minimize potential legal suits for the firm.

#89 Value relevance of International Financial Reporting Standards (IFRS): evidence from Peruvian companies

Gustavo Tanaka, Doshisha University

Abstract: The main purpose of this paper is to investigate the value relevance of accounting information of the firms listed at the Lima Stock Exchange (BVL) for the period of 1994-2012. The market value relevance was tested using the Ohlson (1995) model. According to previous studies the combined value relevance of both book value and earnings per share was very high in the first years of adoption of international accounting standards (IFRS), but sharply decreased in the following period. On the contrary, in this research the empirical results generally indicate that the value relevance of the companies listed in the Peruvian stock market continues to be strong (even lower) after the early adoption period of IFRS in Peru. Moreover, the combined effect of book value, earnings per share and cash flow per share, proved to be particularly relevant, with higher relevance than the combined effect of book value and earnings per share. Furthermore, when investigated separately, the value relevance of book value was higher than that of cash flow per share or earnings per share (EPS).

The contributions of this research are multiple: 1) There is not much research regarding Peruvian accounting, in general, and specifically in the Value Relevance topic; 2) This is the first study of Value Relevance of Peruvian listed companies using such a long period of time (nineteen years); and 3) This paper proves that Peruvian accounting figures are value relevant, which is a very important statement, especially for stakeholders like investors and shareholders.

The study faces some limitations. First, the data used in the research was collected to include only companies with available data for variables and years (1994 to 2012). A longer period was preferred but regretfully the sample size before 1994 was so low that it is was not

appropriate for the analysis. A second limitation is that the sample size in the first years of analysis is not very large. However, the data's size is consistent with the development of the Peruvian stock market.

#96 The need for International Accounting Standards

Gustavo Tanaka, Doshisha University

Abstract: Currently more than 120 countries worldwide comply with IFRS. However, IFRS is not only the one set of accounting reporting standards. A number of accounting standards exist in this global world (US GAAPs, Japanese GAAPs, IFRS, etc.) and a several factors (cultural, legal, economic and financial, historical and political variables) explain these differences. Thus, some important questions are raised: Why is a single set of international accounting standards needed? What are the advantages and disadvantages of applying a standardized standards worldwide? Are IFRS the best choice? What issues exist for the actual compliance of IFRS around the world? This paper addresses those important questions by reviewing the following topics: the accounting differences among different countries' accounting systems, the reason why a uniform set of international accounting standards is needed, IFRS and US GAAP (a comparison between the most applied accounting standards), the historical process IFRS followed in order to be implemented, the process in the accounting harmonization (full adoption, convergence, etc.) and the countries' reaction to IFRS. Finally, some issues regarding the actual compliance with the IFRS are revised.

#103 Agency and IFRS Implementation: The Relationship between Primary Actors

Joshua Hudson, Kwansei Gakuin University

Abstract: This article helps to demonstrate the complex relationships between three of the primary actors involved in the implementation of International Financial Reporting Standards. The broad reaching effects of implementing a global set of accounting standards have yet to be clearly identified and analyzed. In more closely examining the macroeconomic impact that is likely to occur, it is essential to provide a framework in which to more easily view the environment and thus establish reasonable conjectures that will be beneficial in identifying various driving factors within these relationships. The existence of principal agent relationships between investors and companies has been thoroughly established in academic publications. This paper examines a more complex multi-agent relationship that should be considered and explored; looking beyond the established agency relationship of investors and companies and expanding it to include the multi-faceted role fulfilled by government, more clearly demonstrating the complications involved in fully adopting IFRS. From the perspective of investors as principals, and both companies and governments acting as their agents, we identify a complex knot of possibilities whose deconstruction is far beyond the scope of this paper. It is essential to understand the basics behind this theory and embrace the existence of this proposed relationship between investors, companies and government which will be assumed as my research progresses.

DISCUSSANTS

#14: Joshua Hudson, Kwansei Gakuin University (joshua_hudson@live.com)

#89: Bikki Jaggi, Rutgers University (jaggi@business.rutgers.edu)

#96: Joshua Hudson, Kwansei Gakuin University (joshua_hudson@live.com)

#103: Gustavo Tanaka, Doshisha University (gtanaka@mail.doshisha.ac.jp)

SESSION CHAIR: Joshua Hudson, Kwansei Gakuin University

SESSION 5: BONDS

#12 Industry Risk and Corporate Bond Yield Spreads

I-Neng Kuo and Han-Hsing Lee, National Chiao Tung University

Abstract: Previous studies in literature indicate that a firm's exposure to industry downturns is an important factor for line of credit, loans pricing and recovery rate. The purpose of this paper is to examine whether industry risk is significant in explaining bond yield spreads. We use three industry risk measures in our empirical analysis. The first industry risk measure is the unlevered industry beta. The other two are tail risk measures that account for the higher correlation of firms in the industry downturn: the correlations between the firm and industry returns conditional on the industry downturn and the marginal distress estimate (MDE) measure (Acharya, Pedersen, and Philoppon, 2010). The empirical results reveal significant relationships between two tail risk measures of industry risk and bond yield spreads. Our evidence supports that industry risk play an important role in explaining bond yield spreads.

#18 Pricing Convertible Bonds under the First-Passage Credit Risk Model

Tian-Shyr Dai, Jr-Yan Wang and Chuan-Ju Wang, University of Taipei

Abstract: A convertible bond is a corporate bond that allows the bond holder to convert the bond into the issuing firm's stock to share the profit and the growth of the firm. Pricing convertible bonds can be intractable due to the hybrid attributes of both fixed-income securities and equities, and their complex relations to the firm's default risk. For pricing methods based on a reduced-form model, the stock price is employed for evaluating the conversion options and the default risk is determined by calibrating the credit spreads of the issuer's straight bonds; however, the relationship among the default probability, the stock price, and the dilution effect (due to bond conversions) are not well analyzed in the reduced-form-based methods. In contrast, the relationship among these three factors can be easily analyzed in the structure-form-based pricing methods since these methods directly model the firm's capital structure and the evolution of its value process. However, the firm value cannot be directly observed in the financial markets, and the jump-to-default events are hard to be modeled in these methods. To address the aforementioned issues, this paper proposes a two-factor tree that simultaneously models the issuer's stock price and the short term interest rate processes. In specific, since the stock price can be treated as a contingent claim on the firm's asset, the unobservable firm value and its volatility for each node of the tree can be endogenously derived by taking advantage of the option pricing formula. Then the jump-to-default probability for that node is estimated by taking advantage of "distance to default" measure like Moody's KMV model. In addition, the tree model can also deal with the dilution effect. Numerical results and sensitive analysis are given to confirm the robustness of our pricing method.

#71 Financial Fragility of Urban Households in Malaysia

Selamah Abdullah Yusof, Wan Jamaliah Wan Jusoh and Rohaiza Abd Rokis, International

Islamic University Malaysia

Abstract: Household debt in Malaysia has been on an upward trend and increasing at a relatively fast pace. This study provides an in-depth micro analysis of the current Malaysian urban households' vulnerabilities by examining the extent of their ability in dealing with financial shocks and factors that attribute to their financial fragility. Using a recent strictly random sample, it is found that Malaysian urban households are financially vulnerable. Only 10 percent of the households are resilient to shocks related to unemployment, physical disability, divorce, death, or changes in interest rate or stock market. More than a fifth of the households are not able to survive for at least three months if their income is cut off. Additionally, more than a fifth of these households do not have enough savings or any other source to turn to if there is a need to raise RM10000 within a short period. The inability to cope with financial shocks differs across ethnic groups partly due to the wealth disparity and access to sources of funds. Initiatives must be undertaken to assist the households in facing these challenges and for them to exercise financial prudence. Additionally, household debt must be closely monitored to ensure that it is sustainable.

DISCUSSANTS

#12: Selamah Abdullah Yusof, International Islamic University Malaysia (selamah@iium.edu.my)

#18: Han-Hsing Lee, National Chiao Tung University (hhlee@mail.nctu.edu.tw)

#71: Chuan-Ju Wang, University of Taipei (cjwang@utaipei.edu.tw)

SESSION CHAIR: Selamah Abdullah Yusof, International Islamic University Malaysia

SESSION 6: RISK MANAGEMENT & LABOR MARKET

#40 On Pertinent Risk

Haim Shalit, Ben-Gurion University

Abstract: Pertinent risk is developed by applying Aumann and Serrano's (2008) riskiness index to the lower tail of investment returns. Not only is the measure monotonically consistent with stochastic dominance rules, but it also offers a complete ordering of financial assets by their lower tail returns. The pertinent risk index uses all the lower partial moments and thus provides a better tool to evaluate risk than the existing VaR and CVaR downside risk measures. Since nowadays, decision making rules under uncertainty involve utility functions that weigh more the losses than the gains, pertinent risk is thus more relevant in projecting the preferences of all risk-averse expected utility investors. Furthermore in lieu of estimating the moments using historical data, we infer on probability distributions from option prices and compute the risk-neutral moments needed to solve for pertinent risk. The proposed closed-form solution measures downside risk by weighting the low partial moments estimated from risk-neutral probabilities distributions implied by option prices.

#48 Information Asymmetry around Operational Risk Announcements

Ahmed Barakat, Anna Chernobai and Mark Wahrenburg, Syracuse University

Abstract: Operational risk incidences are likely to increase the degree of information asymmetry between firms and investors. We analyze operational risk disclosures by U.S. financial firms during 1995-2009 and their impact on different measures of information asymmetry in the firms' equity markets. Effective spreads and the price impact of trades are shown to increase around the first announcements of such events and to revert after the announcement of their settlement. This is especially pronounced for internal fraud and business practices related events. Market makers respond to higher information risk around the first press cutting date by increasing the quoted depth to accommodate an increase in trading volumes. The degree of information asymmetry around operational risk events may be influenced by the bank's risk management function and the bank's governance structure. We indeed find that information asymmetry increases more strongly after events' first announcements when firms have weaker governance structures-lower board independence ratios, lower equity incentives of executive directors, and lower levels of institutional ownership. In contrast, the firms' risk management function has little to no impact on information asymmetry. We interpret this as evidence that the risk management function is primarily driven by regulatory compliance needs. The results of this study contribute to our understanding of information asymmetry around operational risk announcements. They help to shed light on the role that regulation and corporate governance can play in order to establish effective disclosure practices and to promote a liquid and transparent securities market.

#99 A Study on Internal Labor Movement in and Policy Multiplier in Thailand

Autsawin Suttiwichienchot and Nattapong Puttanapong Chulalongkorn University

Abstract: The main objective of this paper is trying to measure the effectiveness of selected supply side and demand side policies on Thai economy by using Computable General Equilibrium (CGE) model. We found that there is a special characteristic of the unskilled labor movement among agricultural sector and other sectors in Thailand and this characteristic can represented by Harris-Todaro expected wage equation. Therefore, we developed the CGE model incorporating Harris-Todaro expected wage equilibrium for the labor market. The simulation result shows that, for selected supply side policy, the reduction of switching cost, increasing labor productivity (which are selected supply side policy), increasing in government spending and export promotion (which are selected demand side policy) can contribute positive impacts to Thai economy. Interestingly, we found that if both the reduction of switching cost and the increasing labor productivity are implemented together, they will generate even more positive impacts to Thai economy than separately implemented. This finding suggests policy maker should implement both the reduction of switching cost and the increasing labor productivity together in order to gain more benefit to Thai economy. These two policies are supply side policy and related to labor market, thus improving labor market is a great choice for Thailand. Lastly, we found that all policies have the similar non-linear characteristic.

DISCUSSANTS

#40: Autsawin Suttiwichienchot, Chulalongkorn University (win.choti@gmail.com)

#48: Haim Shalit, Ben-Gurion University (shalit@bgu.ac.il)

#99: Anna Chernobai, Syracuse University (annac@syr.edu)

SESSION CHAIR: Autsawin Suttiwichienchot, Chulalongkorn University

SESSION 7: EARNINGS AND ACCRUALS I

#4 A New Perspective on Post-Earnings-Announcement-Drift: Using a Relative Drift Measure

Beng Wee Goh, Dan Li, Jeffrey Ng and Kevin Ow Yong, Singapore Management University

Abstract: We investigate how investors price the fair value estimates of assets as required by Statement of Financial Accounting Standards No. 157 (SFAS 157) since the financial crisis in 2008. We observe that Level 3 fair value estimates are typically priced less than Level 1 and Level 2 fair value estimates between 2008 and 2011. However, the difference between the pricing of the different estimates reduce over time, suggesting that as market conditions stabilize in the aftermath of the 2008 financial crisis, reliability concerns over Level 3 estimates dissipated to some extent. Next, we examine whether Level 3 gains affected the pricing of Level 3 estimates because managers have discretion to use Level 3 gains to manage earnings and asset values upwards. However, we do not find evidence of this. Finally, we find evidence that the pricing of the Level 1 and Level 2 fair value estimates of assets is lower for banks with lower capital adequacy, consistent with investors' perception that more liquid assets face greater risk of disorderly fire sale when the bank needs to raise capital. Overall, our study contributes to an improved understanding of the relation between valuation and fair value information.

#22 Income Shifting As A Reaction To The Tax Rate Change: Detecting For Earnings Management And Tax Management (Evidence From Indonesia)

Sabar Warsini, University Of Indonesia

Abstract: The research is aimed to investigate income shifting strategy carried out by the company as a reaction to the corporate income tax rate decrease. It is conducted by the Indonesian government from 30 % to 28 % in 2009 and decreased again to 25 % in 2010. Furthermore, this study also investigated whether the motive for income shifting is resulted from earnings management incentives or tax management incentives. In contrast to existing research, this study used the book-tax difference approach to measure of income shifting. By using a sample of 240 public companies listed on the Indonesia Stock Exchange, the following results obtained: First, in 2008 and 2009 the company performed income shifting in response to a decrease in corporate tax rates, and shifting income in 2009 was not significantly different from in 2008. Secondly, earnings management incentives factor gave negative effect on income shifting, while tax management incentives factor did not significantly affect income shifting.

#35 Joint Responsibility Policy and Optimal Incentive Contracts

Te-Chien Lo, National Dong Hwa University

Abstract: This paper proposes a two-tier agency model and shows that imposing Joint Responsibility policy between Agent_1 (Board of Directors) and Agent_2 (Chief Executive Officer) is NOT a good policy for Principal (Shareholders). Joint Responsibility states that

Agent_1 is accused of not identifying in advance Agent_2 who takes on destructive risky projects. We design two cases (Case_1 excludes Joint Responsibility and Case_2 includes it) and prove that Principal's payoffs in Case_1 weakly dominate that in Case_2. In addition, static comparative analysis shows that how the change of the losses from the bad state of the high risky project, or the parameter of Agent_1's monitoring costs, alters Agent_1's monitoring and Principal's payoffs in equilibrium.

DISCUSSANTS

#4: Te-Chien Lo, National Dong Hwa University (tokulo@mail.ndhu.edu.tw)

#22: Kevin Ow Yong, Singapore Management University (kevinowyong@smu.edu.sg)

#35: Sabar Warsini, University of Indonesia (sabar.warsini@ui.ac.id)

SESSION CHAIR: Te-Chien Lo, National Dong Hwa University

SESSION 8: CHINESE STOCK MARKET

#3 US and Chinese stock markets' Correlation with RMB Appreciation

Rahul Bishnoi and Jia Lan, Hofstra University

Abstract: The paper analyzes the relationship between the RMB exchange rate fluctuations and the stock market performance in both US and China, using Ordinary Least Square Test with monthly data from July 2005 to September 2013. The results show a different relationship between stock market performance and RMB exchange rate in US and China. Between S&P500 performance and RMB exchange rate, the relationship is positive, while the relationship between SSE performance and RMB exchange rate is negative.

#70 The Response of Dynamic Herd Behavior to Investor Sentiment and the Global Market: Evidence from the Greater China Region Stock Markets

Wan-Ru Yang, National University of Kaohsiung

Abstract: This paper investigates the dynamic reaction of stock market herding in China, Hong Kong, and Taiwan to unexpected shocks from domestic and cross-market factors. Herd behavior in emerging markets is, on average, more pronounced than that in advanced markets. Moreover, when stock market returns go up, herding is significant in emerging markets relative to advanced markets. For bearish market sentiment, traders tend to follow the market consensus. Market herding in the Greater China Region positively responds to U.S. herding. When U.S. stock market returns increase or market volatilities decrease, Greater China Region investors herd to trade. Compared with advanced market herding, emerging market herding is more likely to boost market returns and is more influential on investor sentiment. Investor sentiment and U.S. herd behavior have high explanation ability to changes in herd behavior in the Greater China Region.

#92 The Relation between Corporate Investment and Expected Stock Returns: Empirical Analysis from Chinese Stock Market

Jieting Chen and Hideaki Kato, Nagoya University

Abstract: This study examines the effect of corporate investment on stock returns using the financial and stock data of 1165 companies listed in Chinese Equity Market, with a sample period from 1999 to 2012. Applying asset growth (AG) as well as investment-to-asset (I/A) as the proxies of corporate investment, we have found that there is a significant negative relation between corporate investment and subsequent stock returns on stock level, especially among the small companies. Furthermore, we construct an investment-based risk factor, AGR, which is defined as the difference in returns between low-investment stocks and high-investment stocks. Empirical results show that AGR factor have positive and statistically significant risk premium and can forecast the abnormal returns on portfolio level. Comparing with other factor models, including Fama-French three-factor model as well as CAPM, models that contain AGR can explain more cross-sectional abnormal returns. AGR in those models has outperformed HML factor. In addition, AGR factor plays an important role in

explaining why the investment-return relation in companies with small size and low B/M value or companies with big size and high B/M value is particularly significant. Results show that firms with such characteristics tend to have heavier loadings on AGR factor, indicating that such kind of firms have significant larger exposure to investment factor.

#101 Panel Data Analysis of Performance of QDII Equity Funds in China

Hui Jin and Yanka Cao, Hangzhou Dianzi University

Abstract: Based on a sample of 16 QDII Equity Funds in China established before 2010, this paper evaluates the performance of these funds during 2009 to 2013 by risk-adjusted measures of return and analyzes the influencing factors of performance using panel data models. Empirical study shows that most Chinese QDII funds almost get no excess return compared to risk-free rate, and exchange rate is the main factor affecting the fund performance. Industrial and regional concentration on asset allocation have positive effects to fund performance, which implies that QDII funds' activities do not meet the principle of risk diversification and may increase the risk in long term investment. Although the size of fund is limited by the approved QDII quota, there is only low correlation between size and performance.

DISCUSSANTS

#3: Hui Jin, Hangzhou Dianzi University (jinhui@hdu.edu.cn)

#70: Rahul Bishnoi, Hofstra University (finrkb@hofstra.edu)

#92: Wan-Ru Yang, National University of Kaohsiung (wryang@nuk.edu.tw)

#101: Jieting Chen, Nagoya University (Jtfly8@gmail.com)

SESSION CHAIR: Hui Jin, Hangzhou Dianzi University

SESSION 9: INVESTMENT II

#34 A Comparative Statics Analysis of the Results Related to a Two-Dimensional Real Options Model

Jing-Hui Dong and Yoshio Iihara, Toyo University

Abstract: In this paper, we carry out the comparative statics analysis for two-dimensional real option model, and discuss some usage of the model, especially focused on the expected waiting time to invest. In the one-dimensional model, higher discount rate leads to longer expected waiting time. We consider to use the 2-dimensional model for easing the problem. The results of comparative statics analysis and numerical examples show that modest changes in investment cost have effect to shorten the expected waiting time. As a result, we find the two-dimensional models are not only more realistic, but also useful for making more acceptable investment plans.

#36 Integrated Portfolio Risk Measure: Estimation and Asymptotics of Multivariate Geometric Quantile

Hwei-Lin Chuang, Yu-Jen Wang and Min-Teh Yu, National Chiao Tung University

Abstract: We extend the value-at-risk (VaR) and average value-at-risk (AVaR) models to the multivariate setting to implement an integrated approach of risk management. Two nonparametic estimation procedures, the multivariate order statistic and multivariate quantile regression approach are adopted to estimate multivariate value-at-risk (MVaR) and multivariate average value-at-risk (MAVaR). Furthermore, we derive the asymptotic distributions of estimators of MVaR and MAVaR based on the large sample statistical inference.

#50 The 52-Week High and Momentum in Taiwan Stock Market: Anchoring or Recency Biases?

Ying Hao, Hsiang-Hui Chu, Keng-Yu Ho and Kuan-Cheng Ko, National Chi Nan University

Abstract: In this paper, we examine the role of the 52-week high in explaining momentum profits in Taiwan stock market. We propose that investors in Taiwan are not subject to the anchoring bias of a stock's past 52-week high when making their investment decisions, because it is not readily available piece of information to investors in Taiwan. However, the 52-week high may still convey information to investors if a stock reached its 52-week high price recently, which can be attributed to the recency biases as suggested by Bhootra and Hur (2013). Based on a sample consisting of all common stocks listed on the Taiwan Stock Exchange, we find that Bhootra and Hur's (2013) measure based on the recency to the 52-week high generates significant momentum profits, while George and Hwang's (2004) measure based on the nearness to 52-week high does not. Further investigations show that the profitability of the recency strategy is concentrated in small firms, confirming that our results

are more likely to be driven by behavioral forces. We also demonstrate the robustness of our results in several aspects.

#56 Alternative methods to derive statistical distribution of Sharpe performance measure: Review, comparison, and extension

Lie-Jane Kao and Cheng-Few Lee, Kainan University

Abstract: A crucial assumption for the single-period representation of the performance measure Sharpe ratio, is the stationary of the time series of excess returns R1,…, RT. In literature, the most often adopted stationary assumption is the i.i.d.. When the excess returns R1,…,RT are i.i.d. normally distributed, the exact distribution of the Sharpe ratio is non-central t distributed, which can be approximated by a normal distribution. If relaxing the normal assumption, an asymptotic normal distribution of the Sharpe ratio, which takes into consideration the skewed and leptokurtic characteristics of non-normal excess returns, can be obtained using the GMM approach. Relaxing the i.i.d. assumption by assuming strictly-stationary and ergodic excess returns, the same asymptotic normal distribution can be derived using the GMM approach. This study reviews and improves previous distributional results on Sharpe ratio in two respects: (1) deriving the asymptotic distribution by adopting the least restricted stationary assumption on the excess returns R1,…,RT, namely, weakly-stationary-ergodicity; (2) deriving the asymptotic distribution when R1,…,RT obeying a GARCH process that allows for heavy-than-normal tails and non-linear dependent structure. Monthly excess returns of the value-weighted index of all the CRSP firms, of 5 mutual funds and 5 hedge funds from Jan. 1947 to Dec. 1968, Jan. 1969 to Dec. 1990, and Jan. 1991 to Dec. 2012, respectively, are adopted to demonstrate the distributional results. It is hoped more accurate statistical inference of the Sharpe performance measure can be obtained.
Keywords. Sharpe ratio, Stationary, i.i.d., Non-central t distribution, Asymptotic Normal Distribution, Skewed and Leptokurtic, Strictly-stationary-ergodicity, Weakly-stationary–ergodicity, GARCH process, Heavy-than-normal, Non-linear dependent structure.

DISCUSSANTS

#34: Lie-Jane Kao, Kainan University (ljkao@mail.knu.edu.tw)

#36: Jing-Hui Dong, Toyo University (don@toyo.jp)

#50: Yu-Jen Wang, National Chiao Tung University (yjwang1.iof96g@g2.nctu.edu.tw)

#56: Kuan-Cheng Ko, National Chi Nan University (kcko@ncnu.edu.tw)

SESSION CHAIR: Lie-Jane Kao, Kainan University

SESSION 10: CORPORATE GORVENANCE & CSR I

#24 Asset Tunneling: Does Corporate Governance Matter? Evidence from Indonesia

Ratna Candra Sari, Hadrian G. Djajadikerta and Zaki Baridwan, Yogyakarta State University

Abstract: It has been suggested that tunneling activities through related party transactions is one of the most challenging aspects of corporate governance in Asian countries. However, studies that focus on the effectiveness of corporate governance in relation to tunneling are still limited and the results have been inconclusive. This study tries to develop a detection model to distinguish related party transactions that can be categorised as tunneling activities, and to examine whether corporate governance mechanisms can explain the tunneling activities in Indonesian listed companies. The main findings of this study suggest that companies with concentrated ownerships have a greater tendency to conduct tunneling transactions compared to companies with dispersed ownerships, and the overall corporate governance mechanisms implemented by the companies could not be used as predictors for tunneling behaviour.

#26 Corporate Governance, Business And The Environment

Maliah Sulaiman, International Islamic University Malaysia

Abstract: Traditionally, discussions on corporate governance (CG) have largely focused on economic sustainability. This is not surprising as CG issues have largely arisen out of accounting irregularities uncovered at prominent organizations, such as Enron, Tyco and WorldCom, and various other well-known companies. The focus of CG now, however, is broader….besides profits, companies are also focusing on the "people" and the "planet" too. Thus, the emphasis of CG today is on both the economic and environmental sustainability. Given this, boards cannot be lackadaisical about social and environmental issues. How can companies achieve this? According to the Coalition for Environmentally Responsible Economies (CERES) in its CERES Roadmap for Sustainability", a sustainable company is one that has the necessary governance structures in place, extensive stakeholder engagement undertaken and the standards and scope of public disclosure and transparency instituted. Essentially, the Roadmap contains 20 specific expectations for corporate performance that are categorised into 4 main perspectives: governance, stakeholder engagement, disclosure and performance. Thus, companies should embed sustainability issues in management and board structures, goal-setting and strategic decision-making and engage in robust dialogue with stakeholders across the whole value chain. Additionally, companies should regularly report on sustainability strategies and performance. Disclosure will include credible, standardized, independently verified metrics encompassing all material stakeholder concerns, and detailed goals and plans for future action. Further, a sustainable company is one that embarks on achieving reductions in carbon emission and water use, procurement of renewable energy, improved energy efficiency and having a supply chain that meets high environmental and social standards. More importantly, companies are increasingly aware that a large part of their output consists of material waste (or non-product output). In particular, material flow cost accounting (MFCA), an environmental management accounting (EMA) tool that has now become an international standard, ISO 14051, can help companies address environmental issues as well as improve their bottom lines. Finally, to be proactive on environmental issues companies must understand and manage its environmental costs;

introduce waste minimization schemes; understand and manage lifecycle costs; measure its environmental performance and embark on a strategic approach to environment related management. Most importantly, the tone should be set at the top. Top management commitment is essential, preferably at the board level. Accordingly, companies should ensure that directors' skill sets include risk management of social and environmental issues. Most importantly, companies should realize that enhanced environmental performance can and will lead to improvement in the economic performance of the enterprise.

#46 Corporate Governance and Performance of Financial Institutions during the 2007-2008 Credit Crisis

Tsung-ming Yeh, Akita International University

Abstract: This study uses the event of financial crisis as an investigation setting for examining the relationship between performance and governance structure. The empirical results of this study find that banks' performance and risk-taking is not sensitive to the conventional mechanism for shareholder interest alignment, such as managerial ownership and board composition. In contrast, the risk-taking by non-bank financial firms is positively related to managerial ownership and board size prior to financial crisis. Non-banks with higher managerial ownership and a larger board suffered to a greater magnitude. The results suggest that the heavy regulation and monitoring by financial authority did have restricted banks' risk-taking propensity, which could have been encouraged by the conventional shareholder alignment mechanisms such as managerial ownership. This supports the notion that regulation substitute for conventional corporate governance, which is also consistent with the facts that banks, as compared against non-banks, have weaker such conventional governance mechanism. The implication for corporate governance policies is that regulations in some particular industries may as well substitute for conventional corporate governance.

#76 Coercive Tender Offers in Japan

Kotaro Inoue, Hideki Kiyoshi Kato and Marc Bremer, Nanzan University

Abstract: This paper is an empirical investigation of the degree to which legal rules impact the welfare of minority shareholders. Its focus is on tender offers in Japan. While an efficient market for corporate control is vital for an economy's growth and development, insufficient legal standards permit coercive takeovers that have negative implications for capital markets. Japan's legal system changed in 2006 to require bidders making tender offers that seek more than two-thirds of the voting securities of a target to make an offer to buy the remaining securities on equivalent terms. However, acquirers with the stated aim of securing less than two-thirds control of voting securities have no such obligation. We find evidence that these acquirers tend to make coercive two-tier offers that expropriate the interests of minority shareowners of the targets. This practice is harmful to Japanese capital markets as well. We conclude that Japan should modify its laws to require that acquirers provide full information concerning clean-up merger conditions as well as to pay an equivalent amount in the clean-up to minority shareowners as was offered in the initial tender. These conclusions have relevance for other countries that have not yet considered the appropriate level of protection for minority shareholders.

DISCUSSANTS

#24: Marc Bremer, Nanzan University (bremerm@ic.nanzan-u.ac.jp)

#26: Ratna Candra Sari, Yogyakarta State University (chan_sari@yahoo.com)

#46: Maliah Sulaiman, International Islamic University Malaysia (maliah@iium.edu.my)

#76: Tsung-ming Yeh, Akita International University (yosoMay@aiu.ac.jp)

SESSION CHAIR: Marc Bremer, Nanzan University

SESSION 11: INFORMATION, TRADING AND MARKET MICROSTRUCTURE

#38 Does the Media Blow the Whistle?

Chintan Huang, Peigong Li and Shumei Hsu, Xiamen University

Abstract: The political intervention of Chinese government undoubtedly blocks the corporate governance role of the media. However, the increasing competition for advertising revenues and subscription fees as well as the sheer cut of government fund which was the main financial support of the government owned media force domestic media to respond against corporate misbehavior more actively to attract social attention and to build sound reputation without touching the line. Using a unique sample, we report that, among all 96 sanctioned listed companies by the China Securities Regulatory Commission (CSRC), 60.42% of which is challenged by domestic media before the investigation of the CSRC. This evidence indicates that the Chinese media plays an active watchdog role in monitoring corporate governance violation and protecting the rights of minority shareholders. Due to the rapid transition of Chinese media industry, and the fuzzy boundary between national and local media and the ambiguity of the ownership of media groups, no evidence suggests that national and commercially oriented media play a more active role than the local and politically oriented media in China. However, we do find that negative media coverage is driven by the severity of corporate misbehavior. To the best of our knowledge, this is the first paper to investigate the watchdog role of the media in transitional economies.

#49 IT Control Weaknesses as Origins of Operational IT Failures: An Exploratory Investigation

Michel Benaroch and Anna Chernobai, Syracuse University

Abstract: Much research has studied how failures of operational IT systems – or operational IT failures – impact firms, but little is known about their origins. In this exploratory paper, we build upon accounting research to frame and investigate the origins of operational IT failures in terms of weaknesses in internal IT controls. We use a sample of 212 IT failures that occurred between 1985 and 2011 in publicly traded U.S. financial services firms. We map them to IT control weaknesses using CobIT, a practice-oriented framework covering IT controls over all processes normally found in IT functions. The empirical patterns emergent in this study are that operational IT failures are traced to weaknesses in a relatively small subset of IT controls. Specifically, distinguishing between three IT failure types – Confidentiality, Integrity, and Availability – each of the three IT failure types are found to be linked to distinctly different IT control weaknesses. And, more consequential operational IT failures – namely, Integrity and Availability failures – are found to be associated with IT control weaknesses that are more severe from a remediation perspective. This study, in addition, highlights opportunities and challenges for further scholarly research on IT failures, by identifying limits on the kind of data available on IT failures and on the applicability of common accounting research methods. Overall, this study expands the research literature on operational IT failures while offering valuable practical guidance on how IT management could lower the likelihood of experiencing operational IT failures.

#59 A Unified Approach to the Optimal Stopping Problems With Monotone Thresholds

Mitsushi Tamaki, Aichi University

Abstract: As a class of optimal stopping problems with monotone thresholds, we define the candidate-choice problem (CCP) and derive two formulae for calculating the expected payoff of the CCP attained by the monotone threshold rule. We apply the formulae to the best-choice duration problem, because Ferguson, Hardwick and Tamaki (1992) found this problem to be a CCP, but left unsolved the expected payoff. The similarity between this problem and the best-choice problem with uniform freeze studied by Samuel-Cahn (1996) is recognized. As an interesting comparison, we also give the explicit form of the optimal expected payoff of the best-choice duration problem with recall.

#97 Commercial Sex and Asymmetric Information in the Era of HIV

Peera Tangtammaruk, Chulalongkorn University

Abstract: This paper studies the behavior of sex workers and clients in the commercial sex market under conditions of asymmetric information for the case of Thailand. First the basic game-theoretical asymmetric information model is adapted to the situation in which only the sex worker knows his/her HIV status in order to deduce the behavior of client and sex workers in the commercial sex market under conditions of information asymmetry. The basic model shows that clients concerned about HIV would prefer safe sex, but is likely to engage in riskier transactions under conditions of information rents such as higher prices, or when there are signals that the sex worker is HIV-free. The paper then considers the case of “reverse” asymmetric information, i.e. when the client may be HIV-infected and the sex worker does not have this information. The Nash equilibrium solution informs us that the sex workers’ dominant strategy is safe sex, while risky sex is still possible when the client offers significantly higher incentives. Lastly, the paper investigates the possible equilibrium in the situation of “double-sided” asymmetric information in which both the sex worker and client know their situation, but either party does not.

DISCUSSANTS

#38: Peera Tangtammaruk, Chulalongkorn University (peera.t@hotmail.com)

#49: Peigong Li, Xiamen University (pgli@xmu.edu.cn)

#59: Anna Chernobai, Syracuse University (annac@syr.edu)

#97: Mitsushi Tamaki, Aichi University (tamaki@vega.aichi-u.ac.jp)

SESSION CHAIR: Peera Tangtammaruk, Chulalongkorn University

SESSION 12: CORPORATE FINANCE II

#78 What Lies Beneath the Implementation of the Expensing Employee Compensation Policy

Hsuan-Chu Lin, Ren-Raw Chen, Ting-Kai Chou and Michael Long, National Cheng Kung University

Abstract: Different from most prior studies which examine the impact of SFAS No.123(R) on corporate governance, we explore the potential wealth transfer effect between debtholders and shareholders that lies beneath the implementation of the expensing employee compensation policy. Under the accounting measure, although implementing such a policy would increase the equity book value, this effect could not be observed because debt book value is unchanged. However, through a structural framework under the economic measure, we argue that implementation of such a policy would result in wealth transfer from debtholders to shareholders which decreases debt fair value and increases equity fair value. Based on 582 Taiwan listed firms over the period 2005-2010, we find that a significant increase in equity value as a percentage of firm total value for firms that were affected by these rulings, compared to firms that were not affected, taking into account unobservable firm effects, size, performance, and growth opportunities. The increase in equity-to-value ratio is particularly pronounced in affected firms with greater use of employee compensation policy and higher leverage. Our results suggest that mandated expensing of employee compensation affected the wealth transfers between shareholders and debtholders.

#83 A Revisit on the Useful Financial Ratios: An Application of Sliced Inverse Regression Approach

Fu-Lai Lin, Cheng-Few Lee and Yu-Fen Chen, Da-Yeh University

Abstract: Literature has made considerable contributions on the usefulness of financial ratios on bond rating predictions through the principal component analysis; however, few have ever taken the information of the dependent variable being predicted into consideration. This paper features in taking the information of the associated dependent variable into account and applies the sliced inverse regression (SIR) approach to construct a meaningful grouping structure of financial ratios as predicting the bond rating. The main findings are as follows. Firstly, as using the pre-determined financial ratios (Pinches and Mingo, 1973) on the prediction of bond rating, the SIR procedure performs better than traditional principal component analysis in its discriminant power of bond rating. Second, not all "useful" financial ratios proposed by Pinches, Mingo and Caruthers (1973) are useful to predict the bond rating. And finally, the variation of financial ratio structures over different industries is analyzed as predicting the bond rating. Our results provide the evidence of marked cross-sectional differences exhibited in the determinants of bond rating prediction.

#100 The Announcement Effect of Cash Dividend Changes on Share Prices: Evidence from Dhaka Stock Exchange

Naheed Rabbani, Nagoya University

Abstract: This paper investigates the announcement effect of cash dividend changes on share prices of Bangladesh listed firms. Standard event study methodology is used to investigate the effect for an event window of -3 to + 3 days relative to dividend announcement date. CAR for different windows have been calculated for 41 days around announcement date. Contrary to the conventional findings, results of this study show that announcement of dividend increase do not have any significant impact on share prices and shareholders earn only normal return during the announcement day. However, CAR (-20, -1) reveals that investors earned significant positive abnormal return in the preannouncement period. Consistent with the hypotheses, dividend decrease, on the other hand, generates significant negative abnormal return. Unlike dividend increase announcement, no significant abnormal return is observed in the preannouncement period although negative abnormal return persists even twenty days after the announcement. Investors earn insignificant negative abnormal return when no change in dividend announcement is made. Whereas dividend increase is not regarded as good news by the market, dividend decrease is considered as bad news. Information leakage, unpredictable dividend policy could be the possible reasons for which information signaling does not hold for Bangladesh listed firms.

#111 Profitability of Momentum Strategies: The Role of Consistent Winners and Losers

Hong-Yi Chen and Chia-Hsun Hsieh, National Central University

Abstract: Momentum profits, resulting from returns on buying winners and selling losers, are robust and persistent in the stock market; however, less than 60% of winner and loser stocks remain in winner and loser groups in the subsequent formation month. This study demonstrates that consistent winners and losers produce subsequent momentum profits, while inconsistent winners and losers experience a strong reversal. Both past stock price performance and next-period return play an important role in determining consistent winners and losers. In addition, an asymmetric effect is observed that the next-period return has a larger effect on the duration of winners, while past return can explain the duration of losers more. A consistent momentum strategy can yield significant profits despite controlling for market risk, size, book-to-market ratio, and momentum factor.

DISCUSSANTS

#78: Hong-Yi Chen, National Central University (fnhchen@ncu.edu.tw)

#83: Hsuan-Chu Lin, National Cheng Kung University (hsuanchu@mail.ncku.edu.tw)

#100: Fu-Lai Lin, Da-Yeh University (fllin@mail.dyu.edu.tw)

#111: Naheed Rabbani, Nagoya University (naheedrabbani.dubd@yahoo.com)

SESSION CHAIR: Hong-Yi Chen, National Central University

#79 The Effect of Overconfidence on Belief Adjustmet Model in Investment Decision Making

Luciana Spica Almilia and Putri Wulanditya, STIE Perbanas Surabaya

Abstract: The objective of this research is to test the effect of investor characteristic that is overconfidence on increasing or reducing the information order effect in investment decision making setting done by non-professional investors. Subject criteria in this research are: having knowledge in the field of investment and stock market and financial report analysis. Based on the subject criteria, then subjects in this research include: accounting students who have the knowledge in the field of investment and stock market and financial report analysis. This research is using experimental method of 2 x 2 (between subjects). The researcher in conducting this experimental research is using web based, which is an experiment that is done by the researcher by asking subjects to open a website address that has been designed by the researcher in the form of interactive media. The characteristic of individual (high confidence and low confidence) is measured by calibration testing. Independent variable used in this research consist of 2 active independent variables (manipulated) which are as the followings: (1) Pattern of information presentation (step by step and end of sequence); and (2) Presentation order (++-- or --++).Dependent variable in this research is a revision of investment decision done by research subject. Early participants in this study were 111 students, but only 78 students were completely fill material experimentation and manipulation checks. The research result is consistent with that predicted that individuals who have a high level of confidence that will tend to ignore the information available, the impact on individuals with a high level of confidence will be spared from the effects of the information sequence.

#82 An Reexamination of Institutional Herding and Some Implications on 2007-2008 Financial Crisis

Sheng-Yung Yang, Yu-Fen Chen and Po-Ju Lin, Da-Yeh University

Abstract: Applying Sias's (2004) measurements of institutional herding behavior and an updated data/sample period from 1999 to 2012, this study reexamines institutional herding behavior towards stocks trading in NYSE, AMEX and NASDAQ. We decompose the correlation coefficients of two successive institutional demands on stocks into two parts, following their own trading or following others' trades to explore the magnitude of institutional herding. We also investigate the sources of institutional herding by examining whether institutional herding originates from institutional momentum trading, characteristics herding or market sentiment.
The results indicate that institutional herding does exist. They are more likely to follow other institutional trading than to follow other own previous trading as we consider securities with more than five institutional trading. Institutional herding does vary with time. The magnitude of institutional herding increases after 2007. An insightful observation is obtained in 2006, indicating a high correlation between institutional successive demands on stocks. As we decompose the correlation into institutional following themselves or others to trade, we find

institutional investors tend to follow their previous trading during the third quarter of 2006 to the first quarter of 2007. We argue that institutional investors pre-recognize the 2008 crisis event. We also investigate the sources of institutional herding and find that momentum trading and market sentiment are associated with institutional herding.

#106 No-Arbitrage Term-Structure Modeling for Portfolio

Peter C.L. Lin, Stevens Institute of Technology

Abstract: Term-structure modeling has long been a building block for complex portfolio management. Mainstream research has focused on simple interest-rate dynamics. In much of that research, a collection of risk tools and pricing formulae are constructed based on the simplified market assumption. Despite the elegance of the framework, and after studying deeply its practicality in applications, one notices that a crucial yet natural factor is missing: the relationship between the portfolio and the term structure built on the portfolio. Two important difficulties emerge when incorporating both two components into a model: trading strategies cause discrepancies between asset classes, and the assumptions for risk neutrality derivation. Therefore, this research establishes a framework for advanced term-structure construction that overcomes these limitations in current models.

DISCUSSANTS

#79: Peter C.L. Lin, Stevens Institute of Technology (peter.lin@stevens.edu)

#82: Luciana Spica Almilia, STIE Perbanas Surabaya (almilia_spica@yahoo.com)

#106: Yu-Fen Chen, Da-Yeh University (yfchen@mail.dyu.edu.tw)

SESSION CHAIR: Peter C.L. Lin, Stevens Institute of Technology

SESSION 14: VALUATION AND TAX ISSUES

#23 Using Alternative Models and a Combining Technique in Credit Rating Forecasting

Cheng-Few Lee, Kehluh Wang, Yating Yang and Chan-Chien Lien, National Chiao Tung University

Abstract: Credit rating forecasting has long time been very important for bond classification and loan analysis. In particular, under the Basel II environment, regulators in Taiwan have requested the banks to estimate the default probability of the loan based on its credit classification. A proper forecasting procedure for credit rating of the loan is crucially important in abiding the rule.

Credit rating is an ordinal scale from which the credit category of a firm can be ranked from high to low but the scale of the difference between them is unknown. To model the ordinal outcomes, this study first constitutes an attempt utilizing the ordered logit and the ordered probit models, respectively. Then, we use ordered logit combining method to weight different techniques' probability measures as described in Kamstra and Kennedy (1998) to form the combining model.

The samples consist of firms in the TSE and the OTC market, and are divided into three industries for analysis. We consider financial variables, market variables as well as macroeconomic variables and estimate their parameters for out-of-sample tests. By means of Cumulative Accuracy Profile, the Receiver Operating Characteristics, and McFadden 2 R , we measure the goodness-of-fit and the accuracy of each prediction model. The performance evaluations are conducted to compare the forecasting results, and we find that combing technique does improve the predictive power.

#25 The Information Value of Credit Rating Reports

Sumit Agarwal, Vincent Chen and Weina Zhang, National University of Singapore

Abstract: We test if Standard & Poor's (S&P) credit rating reports contain valuable information beyond credit ratings. We find that positive (negative) linguistic tone in the reports are significantly related to positive (negative) abnormal returns at the time of downgrade announcement and the tone can predict future rating downgrades. We discover that the provision of tone is more consistent with the building of reputation by S&P rather than pleasing the rated firms. Investors, however, are overly concerned about the conflict of interest faced by S&P as a result of an issuer-paid business model. Overall, our study reveals important information value of credit rating reports, which have attracted more attention from regulators than academics.

#33 Improving Pricing Accuracy for Various Numerical Methods with the General Control Variate Method

Tian-Shyr Dai, Jr-Yan Wang and Chuan-Ju Wang, Natinal Chiao Tung University

Abstract: A convertible bond is a corporate bond that allows the bond holder to convert the bond into the issuing firm's stock to share the profit and the growth of the firm. Pricing

convertible bonds can be intractable due to the hybrid attributes of both fixed-income securities and equities, and their complex relations to the firm's default risk. For pricing methods based on a reduced-form model, the stock price is employed for evaluating the conversion options and the default risk is determined by calibrating the credit spreads of the issuer's straight bonds; however, the relationship among the default probability, the stock price, and the dilution effect (due to bond conversions) are not well analyzed in the reduced-form-based methods. In contrast, the relationship among these three factors can be easily analyzed in the structure-form-based pricing methods since these methods directly model the firm's capital structure and the evolution of its value process. However, the firm value cannot be directly observed in the financial markets, and the jump-to-default events are hard to be modeled in these methods. To address the aforementioned issues, this paper proposes a two-factor tree that simultaneously models the issuer's stock price and the short term interest rate processes. In specific, since the stock price can be treated as a contingent claim on the firm's asset, the unobservable firm value and its volatility for each node of the tree can be endogenously derived by taking advantage of the option pricing formula. Then the jump-to-default probability for that node is estimated by taking advantage of \distance to default" measure like Moody's KMV model. In addition, the tree model can also deal with the dilution effect. Numerical results and sensitive analysis are given to confirm the robustness of our pricing method.

#57 Do Japanese Firms Change Their Dividend Distribution in Response to the Change in Statutory Tax Rate on Dividend Payment?

Naoyuki Kaneda and Hiroki Yamashita, Gakushuin University

Abstract: This paper examines how the abolishment of lower tax rate on dividend payment affects the behavior of Japanese companies in early 1990s. Both in univariate and multivariate analysis, we find that they decreased the dividend payments in response to the abolishment. This is consistent with the idea that firms are more likely to retain more earnings and pay dividend less after the tax burden on dividend payment increased. In addition, multivariate analysis reveals that earnings and previous fiscal year dividend payment positively relate to dividend payment in the current fiscal year. We also find that larger firms pay smaller amount of dividend, and that smaller leverage, higher book-to-price ratio and larger shareholding by banks and financial companies make firms pay larger dividend.

DISCUSSANTS

#23: Naoyuki Kaneda, Gakushuin University (naoyuki.kaneda@gakushuin.ac.jp)

#25: Yating Yang, Yating Yang (yatingyang.iof98g@nctu.edu.tw)

#33: Vincent Chen, National University of Singapore (bizvcys@nus.edu.sg)

#57: Tian-Shyr Dai, Natinal Chiao Tung University (cameldai@mail.nctu.edu.tw)

SESSION CHAIR: Naoyuki Kaneda, Gakushuin University

SESSION 15: INTERNATIONAL STOCK MARKET

#9 Understanding the REIT–Sponsor Firm Relationship in Japan: The Influence of the Funding Approach

Mamoru Nagano, Seikei University

Abstract: By considering the unique characteristics of real estate investment and trusts (REITs) in Japan, this study investigates how their relationships with sponsor firms influence decisions on stock and debt issuance by using data on 51 REITs and 755 real estate deals in 2003–2011. The implications derived from the presented empirical analyses are threefold. First, in terms of the determinants of the choice of funding approach, a continuous high stock price trend or a rise in the stock price of a REIT increases the probability of using stock issuance to fund real estate investments when the real estate deal partner is its sponsor firm. Second, our results further suggest that a high stock price and the existence of the REIT–sponsor firm relationship encourage a REIT to choose stock issuance even when it purchases real estate assets that are frequently sold and purchased in the secondary market. Third, debt issuance or bank borrowing is chosen when stock price is low regardless of the sponsor firm relationship, and whether the REIT chooses debt issuance or bank borrowing depends on the real estate deal value.

#32 Market Return, Liquidity, and Foreign Institutional Trading Activity: A Study of Taiwan Futures Market

Robin K. Chou, Keng-Yu Ho, Ying Hao and Pei-Shih Weng, National Dong Hwa University

Abstract: Using a large data set with detailed classification of different trader types, this study sheds further light on trading activity of foreign institutional traders on the Taiwan futures exchange (TAIFEX). Compared with domestic traders on the TAIFEX, we find that foreign institutional traders act as constrains. In addition, when the market becomes illiquid, foreign institutional traders are net buyers and individual traders net sellers. The results imply that foreign institutional traders may meet individual traders' demands and contribute to the recovery of liquidity dry-ups. The empirical findings also suggest that the order imbalance of foreign institutional investors is positively associated with market liquidity and market returns.

#74 Market States and Momentum: Evidence from Dhaka Stock Exchange

Khan Mostafa Saidur Rahim, Nagoya University

Abstract: This paper investigates whether market states can explain momentum profit in Dhaka Stock Exchange (DSE). Market states hypothesis posits that momentum is evident only in the UP market states. This paper finds evidence of significant momentum profit in the UP market states and insignificant momentum profit in DOWN market states for DSE. Both raw and risk adjusted returns produce similar results at UP and DOWN market states. Robustness of the results has been ensured by using different indices for defining market states, and methodological issues like time to define UP and DOWN market states,

consideration of lag for constructing momentum portfolios. Findings of this study also reveal that market microstructure affect momentum profits and their dependence on market states. Momentum profit with one month lag between formation and observation periods produces more significant results than momentum profits without considering lag. Regression coefficients show that momentum profit is not only evident in UP market states but also significantly different from DOWN market states. This study also finds evidence of non-linear relationship between market states and momentum profits. Maximum momentum profit is observed at the median market states, not at the peak. Findings of this study are supportive to the overreaction hypothesis.

#80 The Impact of Pre-trade Transparency on Order Imbalance: Evidence from the Taiwan Stock Exchange

Hsiu-Kuei Chen, National Taichung University of Science and Technology

Abstract: This paper provides evidence regarding the effect of pre-trade transparency on order imbalances (OIB). In order to appreciate the manner in which order imbalance varies with market transparency, it is necessary to explore order imbalance of different kinds of investors. In addition to order imbalance, this study utilizes Structure Vector Auto-regression (SVAR) model to further examine order persistence, order commonality and information content of OIB simultaneously. The results show that OIB of individual investors declines and do not cause imbalance pressure with transparency enhancement, while foreign investors and two types of local institutional investors, investment trusts and security dealers, increase OIB under the more transparent market. Order commonality of individual investors between all types of institution investors does not increase with more pre-trade transparency. Surprisingly, the grab attention effect of pre-trade transparency is not obvious for individual investors. Further, under the transparent market, individual investors, dealers and general corporations take more contrarian strategies, while foreign investors become less contrarian. The respond of investment trust on transparency is marginal in terms of order imbalance. With regard to variation of information content of OIB, foreign investors predict future returns best, investment trusts take the second place, and individual investors are the worst. In sum, more public information on limit order books seems to benefit institution investors more.

DISCUSSANTS

#9: Hsiu-Kuei Chen, National Taichung University of Science and Technology (showguay@nutc.edu.tw)

#32: Mamoru Nagano, Seikei University (mnagano@econ.seikei.ac.jp)

#74: Pei-Shih Weng, National Dong Hwa University (psweng@mail.ndhu.edu.tw)

#80: Khan Mostafa Saidur Rahim, Nagoya University (saidur_rahim@yahoo.com)

SESSION CHAIR: Hsiu-Kuei Chen, National Taichung University of Science and Technology

SESSION 16: INTERNATIONAL FINANCE

#61 Monetary Policies and Oil Price Fluctuations Following the Subprime Mortgage Crisis

Naoyuki Yoshino and Farhad Taghizadeh Hesary, Keio University

Abstract: This research examines how monetary policies have affected crude oil prices after the subprime mortgage crisis. Our earlier research found a significant impact from easy monetary policies on energy prices during the period of 1980 to 2011. This current paper reports that the quantitative easing of US monetary policies weakened the US dollar by shifting US investors to invest into the oil market and other commodity markets. An empirical analysis shows that the weaker exchange rate of the US dollar pushed oil prices in the period of 2007-2012 upward, while world economy was in recession in 2009-2012.

#77 Prediction of Budgetary Slack Potential Through Local Government Financial Statements Figures In Indonesia

Daissy Erdianthy and Ancella A. Hermawan, Universitas Indonesia

Abstract: This study aims to obtain empirical evidence about the existence of budgetary slack in local government in Indonesia after applying New Public Management (NPM). In addition, this study also wants to get a model to predict potential budgetary slack through the figures of financial statements in Indonesian local government. In implementing NPM, local governments in Indonesia using Performance-Based Budgeting system (ABK). This system is expected to be able to minimize the potential budgetary slack. Budgeting approach focuses on the efficiency of the performance of an activity. Efficiency is the ratio between the output with the input. An activity is said to be efficient, if the output generated is greater with the same input, or output produced is the same with fewer inputs. But efficiency in significant large amount indicates potential budgetary slack, thus required further research to examine it.
Budgetary slack by Bradshaw (2007) is the excess demand of resources (input/budget) or diminution (under statement) production capability (performance targets). Government budgetary slack in this study is measured by dividing the average achievement of performance with budget absorption, with budgetary slack threshold above 115%. Budgetary slack threshold of 15% refers to the Newman study, 1975. Budgetary slack needs to be examined so people understand that the efficient use of the budget in local government financial reports should be based on the achievement of performance targets based on sufficient performance information at planning and budgeting stage. By finding prediction models that are considered able to explain the level of local government budget gap, this study is expected to predict and detect local government potential budgetary slack. This will encourage the policymakers to develop policies that support efficient and effective local government budgets, while creating prosperity for all Indonesian people. This study used a binomial logistic regression models with categorical dependent variable are 0 and 1. By using SPSS 22 statistical tools, it proved that the revenue growth, asset quality, size and SiLPA, has a significant positive impact in detecting potential local government budgetary slack. Prediction accuracy that there is a potential local government budgetary slack is 67.3%. Accuracy that there is no local government budgetary slack potential is 96.2%. The figures of

local government financial statements believed to have contributed to the prediction model of budgetary slack, amounting to 71.9%.

#95 Effects of Basel Capital Accord on Small and Medium-sized Enterprises: An Empirical Study on a Sample of firms from an Iranian Bank

Takato Hiraki, Ming Liu and Xue Wang, Tokyo University of Science

Abstract: We examine the relationship between portfolio country versus industry

#115 Country and Industry Concentration and the Performance of International Mutual Funds

Takato Hiraki, Ming Liu and Xue Wang, Tokyo University of Science

Abstract: We examine the relationship between portfolio country versus industry concentration and performance using a hand-matched data set of international equity funds. When sorted by concentration measures, funds in the most concentrated quintile outperform the diversified quintile by 0.16% and 0.30% monthly in country and industry dimensions, respectively. Further analysis shows that the superior performance of concentrated funds is largely driven by industry rather than country concentration, suggesting the existence of global industry private information. Finally, we show that industry-concentrated funds rotate top-holding industries less frequently than their diversified counterparts and the industries they purchase subsequently outperform the industries they sell.

DISCUSSANTS

#61: Takato Hiraki, International University of Japan (mliu@iuj.ac.jp)

#77: Farhad Taghizadeh, Keio University (Farhadth@gmail.com)

#95: Daissy Erdianthy, Universitas Indonesia (erdianthy@yahoo.com)

#115: Farhad Taghizadeh, Keio University (Farhadth@gmail.com)

SESSION CHAIR: Takato Hiraki, International University of Japan

SESSION 17: CEO

#58 Pay-Risk Sensitivity of CEOs and Bank Performance

Chia-Hao Lee and Pei-I Chou, National Open University

Abstract: This study investigates the mediation effect of the pay-risk sensitivity of CEOs on the relation between risky investment and bank performance over the sample period of 2000 to 2007. The empirical results of the study show that CEOs of BHCs engage in more private MBS will increase their pay-risk sensitivity incentives, and then induces the relation between risky investment and bank performance to become negative. These results imply that the pay-risk sensitivity incentives indirectly induce manager to increase his own benefits at the expense of shareholders. Furthermore, we classify CEOs of BHCs as three levels of overconfidence, and find that the pay-risk sensitivity incentive has a mediation effect on the relation between private MBS and firm performance in excessively overconfident CEOs group, implying that the levels of CEOs confidence should be considered while compensation committee designs a flawless contract for encouraging managers put shareholders' best interest in front of theirs.

#66 The Identity of Directors and Firm Performance: Evidence from Taiwan

Yi-Ping Chen and Chia-Pin Chen, National Chung Hsing University

Abstract: Whether the identity of directors in the board influences firm performance is the main issue in this article. Who controls the corporations? Some might say it's not the directors who control the corporation but the Chief Executive Officer (CEO). But for companies with concentrated shareholder, the directors of board play an important role for firm performance. There are different legal regulations to regulate the identity of directors. Taiwan is a country that allows a legal entity to be a director . Besides that, Taiwan is the only country that allows a legal entity to assign plural number of representatives to be elected as directors. This challenges corporate governance in Taiwan since it violates the fairness between individual shareholders and corporate shareholders. This paper focuses on the publicly held companies of Taiwan and analyzes whether the identity of board affects firm performance. We analyze non-financial publicly held corporations at Taiwan Stock Exchange between 2006 to 2012. The result provides a significant negative relationship between the firm performance(Tobin's Q, ROE and EPS) and the ratio of corporate director in the board. The findings provide an insight for the regulators to reconsider if a proper regulation is necessary for better corporate governance practices.

#104 Managerial Overconfidence, Family Control and Product Market Competition

Tsui-Jung Lin, Yi-Pei Chen and Ting-Hsien Yi, Chung Yuan Christian University

Abstract: We examine the governance role of family control to determine the corporate competitive strategy in the product market and focus on cost leadership strategy and differentiation strategy. We find that family business is less likely to adopt cost leadership strategy than non-family business, and an overconfident CEO will be more likely to engage in differentiation strategy, rather than cost leadership strategy. Managerial overconfidence

generates a moderating effect on product differentiation strategy in family business. We further find that a family member serving as CEO tends to be overconfident, and therefore, family CEO with overconfidence will be more likely to engage in corporate differentiation strategy.

DISCUSSANTS

#58: Yi-Pei Chen, Chung Yuan Christian University (epchen@cycu.edu.tw)

#66: Pei-I Chou, National Open University (autumn227@gmail.com)

#104: Yi-Ping Chen, National Chung Hsing University (ypchen5768@gmail.com)

SESSION CHAIR: Yi-Pei Chen, Chung Yuan Christian University

SESSION 18: CORPORATE GORVENANCE & CSR II

#53 The Effect Of Strategic Corporate Social Responsibility And Competitive Strategy To The Relationship Between Supply Chain Management And Company Performance (Case Study In Indonesia Manufacturing Companies)

Titi Suhartati, University Of Indonesia

Abstract: This study aimed to examine the effect of supply chain management (SCM) on firm performance moderated by strategic corporate social responsibility (SCSR) and competitive strategy. Specific targets to be achieved from this research is that there a choice of competitive strategy associated with supply chain management. If the choice of competitive strategy (cost leadership and differentation) in accordance with the supply chain management, so it is expected to produce optimal business performance. Sample firms are manufacturing company listed in Indonesia Stock Exchange (BEI) for the period 2010-2011. Financial data and annual reports obtained from the Thomson Reuteurs and Indonesia Stock Exchange database. Multiple regression equation models was used to test the hypothesis. Results show that supply chain management and strategic corporate social responsibility have a positive and significant effect to the company performance. Also show that the effect of supply chain management on firm performance become stronger moderated by competitive stategy and proven that the supply chain management have related with competitive strategy. This study tries to fill the gap regarding the relationship of strategic CSR, competitive strategy, supply chain management and company performance that have not been examined by previous studies.

#54 Are European Environmental Regulations Excessive?

Huy Nguyen Anh Pham, Vikash Ramiah and Imad Moosa, RMIT

Abstract: This paper investigates the impact of announcements of European environmental regulations on the French equity market. Using event study methodology and asset pricing models, we assess whether announcements of stringent (lax) policies have a positive (negative) impact on the share price of environmentally-friendly businesses and a negative (positive) impact on polluters. Additionally, we estimate the change in systematic risk following the new regulations and we develop a test to check if these effects are excessive. According to the results, the French capital market is particularly sensitive to announcements made by the European Union Emission Trading System (EU ETS). Surprisingly, while chemicals, oil and gas industries show negative reactions, other polluters such as construction and materials, and industrial transportation exhibit positive abnormal returns reactions. Therefore, we argue that a move towards a greener nation may have a mixed effect on abnormal returns. One of the key findings of this study is that environmental regulation on water, soil and air provides different results from the environmental regulation from EU ETS. Our results show that environmental regulations are excessive in a relatively small proportion of firms.

91 Comparative Study of the Influence of Institutional Investors on Corporate Governance and Firm Performance between Japan and France

Mitsuru Mizuno, Nihon University

Abstract: This study compares the influence of institutional investors on corporate governance and firm performance in Japan and France. Using the data of firms listed on the First Section of Tokyo Stock Exchange and the data of firms mailing up SBF120 in France during 2005-2010, this paper examines the influence of institutional investors on corporate governance and the relationship between institutional investors and firm performance in Japan and France. The results suggest that corporate governance was enhanced by institutional investors in both countries. It was also found that there is a statistically significant difference between the change in institutional investors' shareholdings and ROE, proxy for firm performance, in Japan, whereas a significant difference was not observed in France. However, by classifying the firms into three groups based on the change in the ownership share of institutional investors during 2005-2010 in France, it was observed that the mean value of ROE in group 3 is higher than on other groups, indicating that the group with the highest increase of institutional investor's ownership during the period shows better performance that the other groups. The results imply that institutional investors select firms for investment based on the expected performance of ROE in both countries.

#121 Determinants of Corporate Social Responsibility of A Social Enterprise: An Empirical Analysis

Huang Wei Quan, Jeffrey, Chia Hui Ching, Soh Huang Chi and Chew Soon-Beng, Nanyang Technological University

Abstract: This paper makes an attempt to estimate the corporate social responsibility (CSR) of a social enterprise in Singapore. Following the literature, we measure CSR based on a set of standard questions to gauge how the public values CSR according to these standard questions.

The social enterprise being studied is NTUC Fairprice. NTUC is Singapore's labour movement which is a macro-focused union that works well with the government to achieve growth with equity (see Yao and Chew (2014) for the theory of the macro-focused union). In this study, we also measure the CSR of Giant, another supermarket which is a commercial firm. A comparative analysis of the estimate of the CSR of these two firms is then made.

The main finding is that, based on a field survey, Singaporeans value the CSR of NTUC Fairprice more highly than that of Giant. Our regression analysis reveals that the CSR valuation of NTUC Fairprice is basically determined by how people perceive NTUC Fairprice in terms of their sentiments. On the other hand, the only variable that is statistically significant in explaining changes in the CSR valuation of Giant is Malay respondents.

The study also finds that, based on the second field survey, almost 85% of respondents chose to become members of NTUC because of non-collective bargaining benefits and only 10% joined the union because of sentiment.

The main conclusion is that union members are always supportive of the social effort of NTUC Fairprice and other cooperatives. The main policy implication is that NTUC is far-sighted in making non-collective bargaining benefits available to the general public provided that they become union members.

DISCUSSANTS

#53: Chew Soon-Beng, Nanyang Technological University (ASBCHEW@ntu.edu.sg)

#54: Titi Suhartati, University of Indonesia (b_titis@yahoo.com)

#91: Vikash Ramiah, RMIT (vikash.ramiah@rmit.edu.au)

#121: Mitsuru Mizuno, Nihon University (mizuno.mitsuru@nihon-u.ac.jp)

SESSION CHAIR: Chew Soon-Beng, Nanyang Technological University

SESSION 19: EARNINGS AND ACCRUALS II

#57 Do Japanese Firms Change Their Dividend Distribution in Response to the Change in Statutory Tax Rate on Dividend Payment?

Naoyuki Kaneda and Hiroki Yamashita, Gakushuin University

Abstract: This paper examines how the abolishment of lower tax rate on dividend payment affects the behavior of Japanese companies in early 1990s. Both in univariate and multivariate analysis, we find that they decreased the dividend payments in response to the abolishment. This is consistent with the idea that firms are more likely to retain more earnings and pay dividend less after the tax burden on dividend payment increased. In addition, multivariate analysis reveals that earnings and previous fiscal year dividend payment positively relate to dividend payment in the current fiscal year. We also find that larger firms pay smaller amount of dividend, and that smaller leverage, higher book-to-price ratio and larger shareholding by banks and financial companies make firms pay larger dividend.

#68 The Effect of Restatements on Trading Volume Reactions to Earnings Announcements

Chunlai Ye and Lin-Hui Yu, National Taiwan University

Abstract: This paper examines whether restatements affect trading volume reactions to earnings announcements. We contrast material restatement and other restatement firms, recognizing that investors perceive different degrees of credibility loss in these two types of restatements. We predict and find that restatements increase the degree of differential interpretation of earnings announcements, consistent with investors utilizing or generating private information of different quality that is incorporated into investors' trading decisions. We further document that this effect is attenuated in firms with material restatements. Second, we find that differential precision in pre-disclosure private information decreases in firms with material restatements, consistent with investors engaging in more information processing activities when faced with higher uncertainty. Finally, focusing on material restatement firms, we document the effect of restatements on trading volume is more pronounced after the passage of Sarbanes Oxley Act (SOX) and for firms dismissing auditors. Overall, these results indicate that restatements affect investors' behavior in forming judgments regarding earnings announcements.

#117 Does IFRS Adoption Mitigate Earnings Management? Evidence from an Emerging Market

Napaporn Likitwongkajon and Siriluck Sutthachai, Khon Kaen University

Abstract: This study examines the impact of IFRS adoption on earnings management in Thailand. As previous studies on the IFRS adoption and earnings management conducted on data from developed countries, this study fills in the existing literature by studying an

emerging market. Specially, shareholder variables are included to control for the impact of ownership structure on earnings management. The sample contains 761 Thai listed firm-year observations in the year before (2008) and after (2011) the adoption of IFRS. Using multiple regressions, the results reveal that IFRS adoption has positive significant association to earnings management. That is financial report after the adoption of IFRS is associated with higher earnings management. In addition, high leverage, small, high growth, high profitable, high loss, non-big 4 audited, high free float-holding, and less insiders-holding firms engage in higher accruals earnings management.

DISCUSSANTS

#57: Napaporn Likitwongkajon, Khon Kaen University (lnapap@kku.ac.th)

#68: Naoyuki Kaneda, Gakushuin University (naoyuki.kaneda@gakushuin.ac.jp)

#117: Lin-Hui Yu, National Taiwan University (linhuiyu@ntu.edu.tw)

SESSION CHAIR: Napaporn Likitwongkajon, Khon Kaen University

SESSION 20: INTERNATIONAL MANAGEMENT

#41 Empirical Study on Performance of ICT Companies in Japan by Using Financial Data

Mohd Fazli Mohd Sam and Yasuo Hoshino, Aichi University

Abstract: Information and Communication Technology (ICT) has rapidly developed across the globe which involve many industries. Accordingly, new knowledge and innovation have been created resulting in the continual development in the economy and society. Japan's industrialized, free market economy is the second-largest in the world. Its economy is highly efficient and competitive in areas linked to international trade. ICT sector has an enormous impact on the economic growth of a country. This empirical research aimed to investigate the performance of ICT industry in Japan by using financial data from Orbis Database. 32 ICT companies were being used in this study. Various resources were used to support our findings such as The Global Information Technology Report publish by INSTEAD and World Economic Forum, OECD report and Sales Maximization Model.

#73 Financial Literacy and Saving Behavior Among Business Students at Universiti Putra Malaysia

Amalina Abdullah and Mohd Zikruldin Ismail, Universiti Putra Malaysia

Abstract: Financial literacy is important for making future financial decision related to individual spending and saving behaviour. Previous studies highlighted that financial literacy is still low among students and many people failed to manage their finances effectively. The objective of this paper is to determine the financial literacy level and undergraduate students' perception towards saving behaviour. Data were collected using self-administered questionnaire and there were 192 respondents from undergraduate students who enrolled for business administration programme at Universiti Putra Malaysia. The results showed that saving behaviour, parental socialization and peer influence had positive correlation with financial literacy, whereas self-control showed negative correlation with financial literacy. The mean values for financial literacy among these respondents are still at moderate level.
Each students needs to learn more knowledge in dealing with personal financial management and effective strategies to increase positive attitude towards saving behaviour. The higher education authority such as ministry of education can improve the existing business courses by adding personal financial management and encouraged more saving activities rather that spending too much money for unnecessary items. Parents always play the central role in facilitating and promoting their children's saving or investment.

#81 The Determinant Factors of Accounting Students' Choice on Information Technology Careers

Nurul Hasanah Uswati Dewi, STIE Perbanas Surabaya

Abstract: Accounting is a profession that many IT-related activities. The development of AIS and audit process as a result of the progress of IT and accounting developments will bring opportunities for accountants. These opportunities can be exploited by accountants who have adequate knowledge about computer-based AIS and auditing. Instead, the accountant who does not have enough knowledge about computer-based AIS and auditing will be displaced position because it is not able to provide the services required by the client. The important role of accounting information systems professionals, motivate researchers to analyze further the interest of students to the profession in the field of accounting information systems. This study also explores more about the factors that influence students to choose and do not choose a profession in the field of accounting information systems.
The study will be performed by means of survey method. The population to be studied is that of undergraduate accounting students. The sample will be taken randomly (random sampling). This research shows that the interest in undergraduate accounting students for a career in the field of information systems is very small and this research also appears that the academic supervisor is a factor influencing student choice in choosing a career in the field of information systems. Beside this, this study also found that respondents are not interested in a career in accounting information systems more due to that field of information systems is not a career they aspire.

#60 Understanding Green Purchase Behavior among Gen Y in Malaysia by Examining the Factors Influenced

Nurul Zarirah Nizam

Abstract: The purpose of this study is to examine the factors that influence green purchasing behaviors of Generation Y and to contribute the Theory of Reasoned Action (TRA). Respondents in this study among generation Y in Malaysia (North, South, East and West) and will considered their demographics profile. A target total of 500 usable questionnaires will be analyzes by using Statistical Package for Social Science Software version 19. Five hypotheses have been developed from Literature Review reading and will tested using bivariate Pearson Correlation Analysis and analysis of variance (ANOVA) to find the relationships between demographics variables and the background of green purchasing behavior. All the variables are social influence, environmental attitude, environmental concern, eco-label and government's role.

DISCUSSANTS

#41: Nurul Zarirah Nizam, Aichi University (zarirah@utem.edu.my)

#73: Mohd Fazli Mohd Sam, Aichi University (mohd.fazli@utem.edu.my)

#81: Amalina Abdullah, Universiti Putra Malaysia (lina200869@gmail.com)

#60: Nurul Hasanah Uswati Dewi, STIE Perbanas Surabaya (nurul@perbanas.ac.id)

SESSION CHAIR: Nurul Zarirah Nizam, Aichi University