ABSTRACTS

1. EARNINGS MANAGEMENT IN THAILAND: EFFECTS ON FINANCIAL REPORTING RELIABILITY, STAKEHOLDER ACCEPTANCE AND CORPORATE TRANSPARENCY

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ABSTRACT

The objective of this paper is to examine the effects of earnings management on corporate transparency of Thai-Listed Company via financial reporting reliability and stakeholder acceptance as mediator also social-minded awareness as the moderator. Moreover, this study tests ethical executive behavior, accountant's CSR-based practice, outstanding corporate culture, and intense regulation force as the restraining of earnings management and uncertainty business environment as the antecedent. Earnings management consists of four dimensions: 1) unreasonable change in accounting policy, 2) wealth transfer misrepresentation, 3) information distortion, and 4) corporate based concern of accounting choice. Thai-listed firms as the population and sample. The questionnaire is used to collect data. The results show the negative relationship among earnings management, financial reporting reliability, stakeholder acceptance and corporate transparency. Moreover, social-minded awareness is the moderator on the relationship among financial reporting reliability, stakeholder acceptance, and corporate transparency. In addition, four restraining of EM has significant direct effect on EM. Surprisingly, uncertainty business environment is not antecedent of EM. Potential discussion is competently implemented in the study. Research implication, future research directions and conclusion will be presented.

***Keywords**: Earnings Management, Financial Reporting Reliability, Stakeholder Acceptance, Corporate Transparency, Ethical Executive Behavior, Accountant's CSR-based Practice, Outstanding Corporate Culture, Intense Regulation Force, Uncertainty Business Environment, Social-Minded Awareness*

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2. DETERMINANTS OF CAPITAL STRUCTURE OF PUBLICLY-TRADED COMPANIES IN LATIN AMERICA: THE ROLE OF INSTITUTIONAL AND MACROECONOMIC FACTORS

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ABSTRACT

Recent researches have been evidenced that the specific factors of the countries, as environment legal, institutional and economical exercises influence in the capital structure of the companies of several developed. The present study investigates the determinants of capital structure using panel data, for a sample of 388 companies belonging to the seven larger economies of Latin America (Mexico, Brazil, Argentina, Chile and Peru), in the period between 2001 and 2006. Starting from six indicators of leverage ratio, it was evidenced that the firm-specific factors: current liquidity, profitability, market to book value and size presented the most significant results and the theory of Pecking order seems to be the one that best explains the obtained results. The results for the factors macroeconomic and institutional were not so robust, except for the variable GDP growth, and the least degree for proxies about relevance of the stock market, fiscal load and time of opening of a new business.

***Keywords:** Capital Structure; Panel Data; Latin America; Firm-Specific Factors; Institutional and Macroeconomic Factors*

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3. THE IMPACT OF YIELD CURVE MOVEMENTS ON STOCK RETURNS OF TAIWANESE FINANCIAL INSTITUTIONS

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Abstract
This study analyses panel data to investigate the effect of movements in the yield curve on the return on equities of financial institutions listed on the Taiwan Stock Exchange (TSE). The study primarily uses Stone (1974) two-factor model to test these stocks for sensitivity to both market risk and yield curve risk factors. In addition, the three orthogonal parameters embedded in Nelson and Siegel (1987) model are used as proxies of yield curve risk. The empirical results show that the relationships between the abnormal return of the weighted stock index and stock returns of financial institutions are significantly negative. However, the study indicates that a positive relationship exists between the abnormal return of the financial sector index and the stock returns of financial institutions. The paper also shows: (i) that there is a significant positive relationship between the level parameter (β_0 *) of the yield curve and the equity returns of financial institutions; and (ii) that the curvature parameter (* β_2 *) has a negative relationship with the equity returns of financial institutions. However, the change of slope parameter (* β_1 *) has little impact on the equity returns of financial institutions.*

Keywords: *interest rate risk, Nelson and Siegel model, yield curve, financial institutions*

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4. APPROXIMATING THE BENEFITS PRINCIPLE OF TAXATION: THE CASE OF JAPAN

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ABSTRACT

Using a framework based on current local tax reform in Japan, Japanese data is used to evaluate the advantages of shifting from the ability to pay principle to a benefits-based local business tax using a combination of factors. Short-run elasticity tests indicate that cyclical variability could be decreased if the proposed reforms are made, but even greater improvement would be achieved using a business value tax based on value-added. Regression analysis demonstrates how improvements can be made to the conventional method of approximating the ratio of taxes paid to benefits received by business from local government expenditures.

Keywords: *Local finance, local tax systems, state business taxes, value-added, benefits-based tax, business profits tax*

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5. A METHOD FOR SEPARATING INCOME AND SUBSTITUTION EFFECTS OF EXCHANGE RATE CHANGES

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ABSTRACT

Regression estimates of exchange rate total effects on aggregate demand are broken into separate income and substitution effects. Total effects (substitution and income) estimates can seem contrary to theory and common sense. Separating them into their two components shows this is not the case. The separation method also provides a simple test to determine if imports are normal or inferior *goods. The paper finds consumer imports are normal goods, but investment imports are inferior goods. The paper shows that if import total effects exceed domestic total effects, imports are a normal good. If smaller, they are inferior goods.*

Keywords*: Macroeconomics, International Trade, Imports, Exports, Exchange Rate*

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6. DERIVATIVES: AN ISLAMIC PERSPECTIVE

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ABSTRACT

In conducting business, the presence of risk cannot be avoided. By employing derivatives, companies and individuals can transfer for a price any undesired risk to other parties who have risks that offset or who want to assume that risk (Chance, 2004). The growth of derivatives has accelerated rapidly in the last thirty years. However, there is a severe shortage of research that examines the Islamic (Shariah) principles to address derivatives and the use of derivatives in the Islamic environment. The objective of this paper is to examine whether derivative products are allowed or prohibited by Islamic principles. Despite the fact that various researchers accept the use of derivatives under certain circumstances, the conservative point of view suggests that conventional derivatives are not in harmony with Shariah rules. In this paper, we contend that the reasons for the arguments for the use of derivatives have some flaws and are not completely in compliance with Shariah rules. On this ground, we conclude that the use of conventional derivative instruments is not acceptable in the Islamic environment. However, we point out that Shariah has some risk management strategies that may be compatible with Shariah principles and at the same time can achieve the same objectives as conventional derivatives. Thus, the market participants who are concerned with Shariah principles will be able to identify and use similar instruments without violating the Islamic principles.

Keywords**:** *Derivatives; forwards; futures; options; contracts; Shariah rules; risk management; financial ethics*

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7. LOCATION DYNAMICS OF CHINESE OUTWARD FDI IN ASIA: A CROSS COUNTRY AND TIME ANALYSIS

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ABSTRACT

This study investigates the location determinants of Chinese outward FDI between 1990 and 2006 in Asia using panel data estimation. Two time periods (1990-1999 and 2000-2006) and three country groups are distinguished. One compelling finding from this study is that Chinese FDI is not motivated by absolute market size but strongly linked to Chinese exports to the host country. Statistical evidence also indicates that Chinese FDI has a heterogeneous response for different time periods and towards different country groups in Asia, as Chinese FDI is attracted to different countries for distinctive reasons.

Keywords: *Outward FDI, location, strategic motivations, China*

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8. DETERMINANTS OF THE CHINESE TFP: NATIONAL & REGIONAL LEVEL

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ABSTRACT

The high growth rate of the Chinese economy is puzzling in many senses. One of the areas the Chinese economy differs from the other emerging economies is the rapid rise of the Chinese TFP (total factor productivity). This paper aims to estimate the TFP of the Chinese economy in the national and regional level, using the method introduced in the existing literature. This paper finds out that TFP of each region fluctuate over time, and there are substantial differences among TFPs of regions. In order to explain for these fluctuations and differences, this paper tries to find out determinant factors of regional TFP by using panel analysis. The explanatory variables used in this analysis are taken from the existing literatures. They are FDI inflow, export volume, educational level, and research capacity of each region. It is the author's hypothesis that there would be positive correlation between TFP of each region and these explanatory variables. As a result of the panel analysis, the author finds out that education level, number of scientific researchers, and FDI inflow ratio are the major determinant factors of regional TFP in China.

Keywords: *chinese economy,TFP*

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9. STOCK FUNDS: RISK-ADJUSTED PERFORMANCE MEASURES AND IMPLICIT RISK PREFERENCES

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ABSTRACT

The objective of this work is to verify the implicit risk preferences in the use of risk- adjusted performance measurements. To do so, the following risk measures will be used: the Sharpe Index, the Sharpe's alpha, the expected return, the Sortino Index, the Fouse Index and the upside potential ratio. We estimate the correlation of the ranking obtained with these measures in relation to the ranking obtained through the use of both the utility function and the prospecting function of the value theory. Information on the Ibovespa equity funds for the period from March 1999 to February 2005 based on 57 funds were collected. It can be concluded that the Sharpe's alpha dominates all other measures in terms of the correlation with the quadratic utility function and with the prospecting function of the value theory. For low risk aversion levels, the traditional measures Sharpe Index and expected return did not present high correlations with the quadratic utility function and with the prospecting function of the value theory. For high risk aversion levels, the Sharpe's alpha, the Fouse Index and the upside potential ratio presented good results with the quadratic function as well as with the prospect function of the value theory.

Keywords: *performance measurements, Sharpe Index, Sortino Index, Fouse Index, upside potential ratio*

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10. MONEY AND INTEREST RATES: AN APPLICATION TO LATIN AMERICA

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ABSTRACT

This paper has examined two possible effects of money growth on interest rate in four Latin America over the period of 1980s to 2004. Based on correlation coefficients estimation, the results support the anticipated inflation effect view. However, impulse response function presents mixed results. There is a liquidity effect in Mexico but an anticipated inflation effect in Argentina and Peru. However, there are both views of the relationship in Brazil.

Keywords**:** *Vector Autoregression, Impulse Response Function*

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11. SIZE AND QUALITY MANAGEMENT CERTIFICATION EFFECTS

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ABSTRACT

Many U.S. firms have recently invested time and money to obtain the highly valued ISO 9000 quality management certificate from the International Organization for Standardization (ISO). As the ISO certification provides several external and internal benefits such as improving product quality, operational efficiency and productivity, competitive advantage, and market share (ISO 9000 Survey (1996)), the question arises, whether management efforts to meet quality standards sets by ISO, impacts the short and long-term returns of shareholders.

As previously indicated in a similar paper by Ferreira, Amit, and Varble (2008), the motivation for a study such as this, can the examination on the impact on shareholders' wealth gain of a successful ISO registration, since this corporate event may indicate management's commitment to quality and, therefore, potential new customers, increased in sales and higher profits.

We find that while stocks of small firms achieve significant negative abnormal returns, stocks of large firms realize significant abnormal gains over the one-, two- and three-year periods following certification. We also find that abnormal returns of mid-size firms' stocks are not significant over the same post announcement horizons. A sample of 631 U.S. firms that received ISO 9000 certification between March 1, 1991 and February 24, 2003 was used.

Keywords: *stocks, shareholders, management certification*

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12. WHAT DRIVES THE EXCHANGE RATE ININFLATION TARGETING EMERGING ECONOMIES?

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ABSTRACT

This study contributes to the existing literature by linking inflation targeting to exchange rate determination and by linking exchange rate models to panel data forecasting. Examining an extensive set of exchange rate models, our findings suggest that for inflation targeting the exchange rates of emerging economies are driven by forward-looking macro variables specified in a Taylor exchange rate model. In line with the exchange rate literature, we evaluated an extensive set of exchange rate *models based on their out-of-sample predictability. We also notice that the practice of pooling information is useful to deal with limited time-series span, a common hurdle to study emerging economies. In particular, we use a two-way error component model with country and time effects to estimate the models and perform the out-of-sample exercise by extending the error correction forecasting methodology used in the exchange rate literature.*

Keywords: *Exchange rates; inflation targeting emerging economies; panel unit root; panel cointegration; Taylor rule models; monetary fundamentals; out-of-sample predictability*