1. ASSESSING THE IMPACT OF CUE REDUNDANCY ON INEXPERIENCED AUDITORS’ JUDGMENT ACCURACY

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ABSTRACT

Auditors may consciously or subconsciously rely on redundant cues to confirm an initial hypothesis or to gain the approval of superiors. Inexperienced auditors required to examine a large numbers of evidential cues are even more susceptible to judgment bias and inefficiency. Reliance on evidential cues with little informational content (redundant) instead of orthogonal cues with substantial informational content can lead to overconfidence and thus could impair judgment. In the current study a lab experiment involving twenty seven graduate and senior accounting students at a large university in the Southeastern United States was conducted to examine the ability of inexperienced auditors to mitigate the negative effects of cue redundancy vis a vis an unstructured audit task: going concern assessment. In the current study, however, an automated bankruptcy prediction model was used to assess judgment bias. Contrary to the findings in cognitive behavior (Shepard 1964; Oskamp 1965; Ryback 1967; and Einhorn, 1979), auditors because of their adherence to the principle of Conservatism highly emphasized in the auditing and accounting pronouncements (US GAAP and IFRS) were able to mitigate the negative effects of cue redundancy. This finding was reflected in their confidence estimates, their judgment accuracy estimates and the dispersion of their accuracy estimates around their group means. Additionally, the length of time it took them to complete the task didn’t increase when the redundant cues were provided. Significant implications to the teaching of auditing practice sets in the classroom and on the job and to other professions where cue redundancy is present and where more emphasis on Conservatism could improve judgment accuracy are addressed.

Keywords: cue redundancy, auditing, going concern, bankruptcy prediction, accounting, education

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2. ARE CARIBBEAN GOVERNMENTS OVER BORROWING?

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ABSTRACT:

This study determines if, and the extent to which, Caribbean governments are over borrowing using analytical tools developed by Blanchard (1983) and the International Monetary Fund (2003). The empirical findings indicate that over borrowing ratios are lower in commodity exporting countries of Suriname, Guyana, Trinidad and Tobago, and Belize than in tourism-intensive economies. The highest level of calculated over borrowing was observed in Jamaica, St. Kitts and Nevis, Grenada, and Barbados.
(after the period of 2009). Over borrowing ratios in Dominica, Antigua and Barbuda, and St. Vincent and the Grenadines were higher post 2009 relative to earlier periods. The salient policy message of this study is that it is prudent for countries to pursue ex-ante policies that impel more efficient borrowing in normal times that contribute to entrenching debt sustainability, as opposed to ex-post adjustment policies to reduce debt after a crisis point has been reached.

**Keywords:** Optimal Debt, Over Borrowing, Caribbean

### 3. THE EFFECTS OF ACCOUNTING NETWORK EFFECTIVENESS ON ACCOUNTING INFORMATION EFFICIENCY AND FIRM SURVIVAL OF LISTED COMPANIES IN THAILAND

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**ABSTRACT**

Recently, globalization has been influenced all business to survive its operations in the long-term. One mechanism is the sharing firm’s resources to another one for competitive advantage termed as accounting network effectiveness. It certainly gives the better firm performance. Thus, this research attempts to investigate the effect of accounting network effectiveness on accounting information efficiency and then affect next to firm survival. Moreover, the moderator—environmental munificence is also examined in the relationships. Collecting data is done by questionnaire and sent to listed companies in Thailand. Results show both positive relationships, between accounting network effectiveness and accounting information efficiency, between accounting information efficiency and firm survival. Surprisingly, the moderating effect is particularly negative affected in the relationship between accounting information efficiency and firm survival. Contributions, future research and conclusions will be purposed.

**Keywords:** Accounting Network Effectiveness; Accounting Information Efficiency, Firm Survival, Environmental Munificence.

### 4. A LOOK AT SOURCES OF ETF UNDERPERFORMANCE: IS THE FOX GUARDING THE HENHOUSE?

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**ABSTRACT**

Utilizing the largest sample of U.S. equity-based exchange traded funds (ETFs), our analysis confirmed that the annual total performance of ETFs is inferior to the performance of mutual funds across a wide spectrum of investment categories. The average underperformance of 385 basis points per year is not due to previously noted variables, but is strongly related to the daily volatility of ETFs. The main source of this underperformance stems from either the trading process (i.e., authorized participants arbitraging away the returns) or a systematic underperformance of the individuals who manage the funds themselves.

**Keywords:** Exchange Traded Funds, ETFs, Underperformance, Authorized Participants
5. CROSS LISTINGS AND FOREIGN EXCHANGE RISK

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ABSTRACT

This paper develops an intertemporal equilibrium capital asset pricing model for international cross-listing stocks. It is shown that the expected excess rate of return for cross-listing stocks is related to (i) the covariance of cross-listing stock return with the market portfolio return, (ii) the covariance of the cross-listing stock return in foreign currency with exchange rate, (iii) the volatility of exchange rate, and (iv) the volatility of the asset return in foreign currency. The result sheds a new light on the effect of exchange rate risk and the volatility of asset return on the asset pricing model for the international cross-listing stocks.

Keywords: Cross Listings, Foreign Exchange Risk, International Asset Pricing Model, Market Segmentation, Stock Returns.

6. CAN GOVERNMENTS LEVERAGE PROCUREMENT TO FOSTER DEVELOPMENT?
EVIDENCE AND PROJECTIONS FROM PUBLIC SECTOR EXPENDITURES IN TURKEY

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ABSTRACT

This paper analyzes public sector expenditures in developing countries, and assesses the viability of leveraging procurement to meet development objectives. Average economic growth rates are significantly higher for developing countries than advanced economies. The robust growth can yield tax revenues that fund public expenditures. However, developing countries are characterized by inadequate physical infrastructure, which, in turn, negatively affects economic competitiveness. Domestic industry typically lacks the technological and productive capacity to meet the physical capital demand. Consequently, public procurement of imported machinery and equipment represents a significant share of total government outlays in most countries. We present data from 67 developing countries, and also forecasts from our case study country, Turkey, which demonstrate an upward trend in public expenditures, and argue that the rise in public expenditures on foreign capital is likely to be sustained over both the medium and long term due to both push and pull factors. We find that medium and large developing economies possess sufficient purchasing power to leverage public procurement in support of broader economic development goals.

Keywords: public procurement; development, government spending, international

7. DO HEDGE FUNDS ADD VALUE FOR INVESTORS?

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ABSTRACT

This paper discusses whether hedge funds create value for investors. To determine whether those investment vehicles add value, three dimensions will be taken into account. First, this study will analyse
whether hedge funds have had higher returns than mutual funds and major equity indices for the last two decades. Secondly, in order to take into account the risk, the risk-adjusted performance of hedge funds will be discussed. This study will underline the fact that hedge fund returns datasets are biased and that traditional methods to adjust for the risk fail to properly capture the risk of hedge funds. Therefore, modern techniques have to be used in order to properly assess the risk-adjusted performance. Finally, the potential diversification that hedge funds can provide as part of a portfolio will be discussed.

Keywords: funds, investors, returns


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ABSTRACT

This study measures the abnormal returns / risk premiums that could be attributed to the rate fix event occurring during 2005 through 2009 using the event study methodology. Market rate spread excess returns above alternative benchmarks are measured for Fed Funds, Eurodollar and Euribor spot rates using daily data series from 2001 through 2011. Risk premium discovery reveals that the market fraud event accounts for risk premiums, due to downside risks and noise risk explained by the behavior and decision choice processes of investors that support and document their investment related actions which cause market prices and returns to deviate from their fundamental intrinsic values in the marketplace. Results uncover that mispricing occurs due to documented rate fixing market fraud, shifting of preferences and incompleteness of the futures market. This implies that asset management requires monitoring and measuring market disruption's risk premiums by controlling market fraud with governance mechanisms.

Keywords: behavioral finance, corporate governance, market efficiency, event study, rate fix fraud

E-Subjects: Behavioral Finance, Convergence, Market Efficiency, Corporate Governance, Market Fraud, Risk Premium; Behavioral Anomalies

9. EUROPEAN BANKS IN CRISIS: RISK MODELING AND IMPLICATIONS

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ABSTRACT

Employing a cluster analysis of 43 different European nations and 77 European banks, we find that significant differences exist between the country-level and firm-level financial risk characteristics. We find four basic financial systems exist in our sample countries based on the concentration and development of the banking industry. While the difference between high and low financial risk countries is consistent with media reports and literature, we find strong evidence for the existence of Pan-National European banks that exhibit little common risk characteristics with their host countries. We also demonstrate the 'high risk' banks are more affected by firm-specific risk characteristics than country-level variables. Our results bolster the need for systemic Europe-wide banking regulation.

Keywords: International Finance; Banking; Risk Analysis; European Banks
10. THE DETERMINANTS OF CEO COMPENSATION IN THE MANUFACTURING INDUSTRY: THE CONTEXT OF FINANCIAL CRISIS

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ABSTRACT
This study examines the effect of financial crisis on CEO pay in the manufacturing sector. Using a sample of Fortune 500 manufacturing firms, this research also identifies the determinants of CEO pay pre and post-crisis. The empirical findings suggest that CEOs in the manufacturing firms received higher pay even after the occurrence of financial crisis. The results also identified that firm performance, CEO duality, and firm size as major factors that determine CEO pay.

Keywords: Financial Crisis, CEO Compensation, Firm performance, Manufacturing

11. HAS CAPITAL EXPENDITURE DECISION LOST ITS VALUE RELEVANCE OVER YEARS?

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ABSTRACT
The main purpose of this study is to examine whether capital expenditure decision affects stock price over the last ten years, after taking into account of simultaneity bias and efficiency in estimation. Employing 4,007 firm-years from manufacturing industry, I find limited evidences showing value relevance of capital expenditure information by perform Ordinary Least Squares (OLS) analysis. A Hausman test for endogeneity indicates that capital expenditure and stock price are actually endogenously determined. With a system of simultaneous equations, the results from a Three-Stage Least Squares (3SLS) analysis show that capital expenditure level still plays an important role in influencing stock price. Fail to correct for simultaneity bias and efficiency in estimation could have drawn a different conclusion.

Keywords: Capital Investment, Endogeneity, Value Relevance, Simultaneous-Equations Models.

12. HELP ME HELP YOU: A STUDY OF BROKER BENEFITS

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David Gewandter, The University of Tampa
David Ver Eecke, The University of Tampa

ABSTRACT
Many investors purchase mutual funds through intermediated channels, paying brokers a substantial fee for fund access, selection and insights. We study broker sold funds from 1999 to 2002 using the unique N-SAR database, and find that brokers deliver tangible and intangible benefits to both fund sponsors and investors simultaneously. We find that broker compensation is positively related to specific broker benefits, suggesting that sales in the broker distributed mutual funds might reflect the brokers’ ability to provide services to the fund company and not necessarily the customers. This paper reveals that the brokers’ other forms of compensation, such as research information and portfolio valuation, are utilized to serve the needs of their clients. Our results are consistent with two hypotheses: that brokers deliver substantial intangible benefits to investors and that these benefits positively affect fund sponsors by increasing fund inflows.

Key Words: Mutual Funds, Brokers, Compensation, Fees, Loads
13. PORTFOLIO ALLOCATION BASED ON PRICE EARNINGS RATIOS

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ABSTRACT

We examine the risk-return tradeoff for investors using price-earnings ratios to allocate funds across bonds and stocks. Sharpe ratios are computed for portfolios consisting of 100% bonds, 100% stock, and portfolios annually changing between bonds, stocks, and mixed portfolios based on the beginning of year price-earnings ratio. Holding periods from one to 25 years are examined. Simulated portfolio returns are used to calculate Sharpe ratios for all holding periods. Our results show that price-earnings ratio based investment rules generate portfolios with higher Sharpe ratios than investing only in bonds or stocks.

Keywords: investor, risk-return, portfolio