Saturday 17 December 2010

Parallel Session 1

Session Chair: Dimitrios Ginoglou, University of Macedonia, Greece

Room: Nicosia

Time: 09:15 -10:30

“Earnings Management using Intangibles in Greece: Some Empirical Evidence”

Panayiotis Tahinakis

University of Macedonia, Greece

Abstract

The present paper examines the use of real operations activities in order to manipulate earnings after the introduction of International Accounting Standards in Greece. Using a dataset of Greek listed firms in the Athens Stock Exchange it provides some initial evidence of earnings management. However, the results also reveal that the form of earnings management is not the expected one. In specific, it seems that Greek firms manage earnings to avoid profits than to avoid losses. This result may indicate the presence of tax-avoiding strategies from some firms of the sample. However, more research is needed in order to reach safe conclusions.

Jel Classification: M41
Keywords: Earnings Management, R&D Expenditures

“Asset Impairments, Incentives for Earnings Management and Financial Reporting Efficiency”

Dimitrios V. Kousenidis

Aristotle University of Thessaloniki, Greece

Anestis C. Ladas

University of Macedonia, Greece

Christos I. Negakis

University of Macedonia, Greece

Abstract

This study examines the recording of fixed assets' impairments and in specific if they can be related to the exercise of conditional conservatism for a sample of Greek firms listed in the Athens Stock Exchange. According to International Accounting Standard 36 firms may use impairments tests in order to ensure that their fixed assets are reported in the financial statements with values which are not lower than their recoverable values. Fixed assets' impairments have been recognized by many authors in the literature as a method of exercising conditional conservatism (Ryan, 2006). Conditional conservatism is defined as the faster recognition of bad news in comparison with good news in earnings. However, fixed assets' impairments have also been found to be related to incentives for earnings management (Francis et al., 1996). Moreover, Greece has been reported as a country with high level of earnings management (Leuz et al., 2003). Therefore, it would be interesting to examine if the implementation of IAS 36 and in specific the recording of fixed assets' impairments from Greek firms is related to more efficient financial reporting or to biased financial reporting due to the existence of incentives for earnings management. The purpose of this paper is to examine if fixed assets' impairments are used as a tool for increasing financial reporting efficiency through the exercise of conditional conservatism or as a tool for exercising discretion by the managers in order to manage earnings. The results show that the recording of fixed asset impairments is mainly related to the exercise of conditional conservatism rather than to the existence of incentives for earnings management and thus provide indications that fixed asset impairments are used as a tool of increasing the efficiency of financial reporting.

JEL: M41

Keywords: Conservatism, Conditional Conservatism, IAS 36, IFRS

"The Impact of Intangible Assets on Firms Earnings Profitability: Evidence from the Athens Stock Exchange (ASE)"

Dimitrios Ginoglou

University of Macedonia, Greece

Abstract

In this research study an attempt is made to investigate the hypothesis that the firms that have large intangible assets have better return on equity and better return on assets.

JEL: M41

Keywords: Intangible Assets, Earnings Profitability

Parallel Session 2

Session Chair: Nikolaos Philippas, University of Piraeus, Greece

Room: Larnaka

Time: 09:15 -10:30

"Mutual Fund Performance Evaluation in a Thinly-Traded Stock Market: The Case of Greek Equity Funds"

Vassilios Babalos

University of Piraeus, Greece

Nikolaos Philippas

University of Piraeus, Greece

Abstract

Employing a new, survivorship-bias free dataset we measure the performance of Greek domestic equity funds during the period 2000-2009 controlling for the thin trading risk that is inherent in the Greek stock market. Augmenting Carhart's model (1997) with a stock–level liquidity factor along with a bond factor we document the absence of overall stock picking ability of domestic equity fund managers. Median equity fund underperforms by -0.56% p.a. a representative benchmark. Most interestingly the augmented performance model appears to outrank the traditional Jensen's (1968) model. Finally, regarding the investment style of domestic equity funds our results reveal managers' preference towards small cap stocks and stocks that have performed well for the previous year.

Keywords: Mutual funds, multi factor performance evaluation, thin trading risk, regional stock markets

"A Survey on Leveraged and Inverse ETFs"

Gerasimos G. Rompotis

KPMG Greece and

Researcher-National and Kapodistrian University of Athens, Greece

Abstract

Leveraged and inverse ETFs, which promise to deliver two or three times the return of a specified benchmark (in a positive or a negative fashion) on a daily basis, have become a fast-growing innovation in ETF industry. In this article, we employ a sample of 40 inverse and 28 leveraged ETFs belonging to Proshares family and examine how frequently these ETF types deliver their stated multiple finding that they basically fail to meet their daily target. We then search whether there is any significant day-of-the-week effect on the effort of Proshares to achieve their investment goal. The results indicate that the discrepancy between the actual return of leveraged and inverse ETFs and the pre-defined multiple is smaller on Wednesday with respect to the rest trading days of the week. In the last step, we compare Proshares to regular ETFs tracking the same indexes. At first, the comparison takes into account the daily volume, trading frequency and expense ratios. The results demonstrate that the leveraged ETF market is less liquid than the regular ETF market (less volume and trading frequency) while the leveraged and inverse ETFs are more expensive than their regular counterparts. Secondly, we compare return and risk of Proshares and regular ETFs taking into consideration the return and risk of the indexes as well. The findings show that, on average, the inverse ETFs underperform their regular ETF competitors and the corresponding indexes while they are more risky than them. On the other hand, the results of the study provide weak evidence that the leveraged ETFs, on average, outperform the regular ETFs and the indexes but they are more hazardous than them.

Keywords: Leveraged ETFs, Inverse ETFs, Stated Multiple, Performance, Risk

“Implications of Outliers for Event Studies”

Panayiotis Theodossiou

Cyprus University of Technology, Cyprus &

Rutgers University, USA

Alexandra Theodossiou

The Texas A&M University-Corpus Christi, USA

Neophytos Lambertides

Aston Business School, UK

Abstract

In event studies, the main focus is the detection of deviations of returns from their “regular behavior” due to the presence of an event. Normally, a sample of historical returns prior to an event along with the OLS estimation method are used to estimate a stock return model. The estimated stock return model is then used to compute a

Cumulative Abnormal Return (CAR) statistic for a window around or prior to an event. Then the CAR statistic is used to test for the significance or not of an event. When outlier returns are present during the estimation period, the OLS estimated models and resulting CAR statistics are likely not to represent the behavior of stock returns during regular periods. These results raise serious concerns regarding the conclusions reached in past event studies that used the OLS method. In this paper we employ a mixed return regression model with a regular and an outlier component to examine the statistical and economic impact of outlier returns on cumulative abnormal returns in event studies. First, using simulation analysis we replicate and validate our theoretical model. Then, we build similar data environment using pharmaceutical firms. That is, we identify estimation windows with at least one return (day) outlier but with regular subsequent event window. Using OLS estimates from the estimation window we find significant CAR statistics around the event window. These results are consistent with our theory and suggest that outlier resistant estimation techniques would be necessary in the estimation window, instead.

"Recent Evidence on the Performance and Riskiness of Contrarian Portfolio"

Emilios C. Galariotis,

Audencia Nantes School of Management, France

Abstract

The paper assesses the performance, persistence and riskiness of contrarian portfolios. Evidence from France shows that such portfolios appear profitable on average, but their performance is not persistent from one holding period to the next; hence there exist inherent risks especially for investors that remain in markets for up to two consecutive investment periods. These risks, as measured by the CAPM and the Fama-French model, are not systematic and they are not related to market timing. Overall, taking only long positions in normal markets and hedged positions following market shocks is the most promising route for contrarians.

Keywords: overreaction; contrarian; market timing; CAPM; Fama-French three factor model; French security exchange;

JEL Classification: *G1 (G10, G11, G14)*

Parallel Session 3

Session Chair: Manolis G. Kavussanos, Athens University of Economics and Business, Greece

Room: Paphos

Time: 09:15 -10:30

“The Determinants of Credit Spreads in the Global Shipping Industry”

Manolis G. Kavussanos,

Athens university of Economics and Business, Greece

Dimitris A. Tsouknidis,

Athens university of Economics and Business, Greece

Abstract

The main research question of this paper is whether bond-, industry-or macro-specific variables account for the observed variation of credit spreads changes in the shipping industry at a global level. The existing literature on the issue has not investigated the determinants of bond spreads in the global shipping industry but rather focused on U.S. markets. Moreover, the related to the issue studies report biased t-statistics since the correlation of the residuals is not taken into account as shown by Petersen (2009). Since bond spreads compensate the bondholder for several types of risks, this paper proposes a wide set of new explanatory variables such as the introduction of accounting credit risk measures such as Altman’s (1968) z-score, the market value of entity and the Merill Lynch’s (ML) Global Services Cyclical bond index (GISC). The results reveal a negative relationship of the capitalization of a shipping company and the bond spreads of its public debt. Interestingly, shipping related variables, which account for the shipping business cycle, explain a large proportion of the observed credit spread changes. Overall, evidence is presented which indicates that the changes of shipping bond spreads reflect credit risk, liquidity risk, bond market sentiment, stock market sentiment, term to maturity and shipping related variables such as freight rates.

“The Impact of Analyst-Market Disagreement on the Implied Cost of Capital”

Michalis Makrominas,

Frederick University Cyprus, Cyprus

Irene Karamanou,

University of Cyprus, Cyprus

Abstract

Implied cost of capital estimates are typically calculated using analyst forecasts, under the dual assumption that these forecasts jointly capture the firm's underlying earnings' process and market informational efficiency. This paper examines properties of implied cost of capital estimates whereas analysts' perceptions of mis-priced securities, as demonstrated by their investment recommendations, may lead to analyst-market disagreement and a mismatch between stock prices and earning' s forecasts. It is demonstrated that stocks recommended by analysts as `Buy'/`Strong Buy' have, ceteris paribus, higher implied cost of capital than stocks recommended as `Underperform'/`Sell'. The result allows for discernible trading strategies which relate the firm-specific (annual) changes in analysts' recommendations to the corresponding changes in implied cost of capital. A model is developed to capture systematic patterns in analyst expected forecasting error. The model is utilized in order to fit analyst expected errors in the estimation process of `adjusted' implied cost of capital estimates. Adjusting for expecting analyst forecasting error appears to correct the documented relationship between analyst recommendation and implied cost of capital, while the trading pattern as regards changes in analysts' recommendations and changes in implied cost of capital vanishes.

Parallel Session 4

Session Chair: Dimosthenis Hevas, Athens University of Economics and Business, Greece

Room: Nicosia

Time: 10:45 -12:00

"Measuring Conservatism in Greece"

Anestis C. Ladas

University of Macedonia

Abstract

The present study aims at measuring the level of accounting conservatism in Greece. The study develops a threshold cointegration model that provides measures of conditional and unconditional conservatism. Moreover, the proposed model is used along with the models of Basu (1997) and Beaver & Ryan (2000) for the measurement of conservatism for the period before and after the implementation of the International Financial Reporting Standards. The results show that the level of unconditional conservatism has decreased after the introduction of the IFRS in 2005 whereas the level of conditional conservatism seems to have increased. The results are consistent with a number of explanations for the existence of the two types of conservatism that have been proposed in the literature.

JEL: M41

Keywords: Conditional Conservatism, Unconditional Conservatism, IFRS

"The impact of the IAS adoption in the decision making of the Greek companies: First evidence from the manufacturing sector"

Dimitris Kleftodimos

Panteion University,Grece

Eleni Rogdaki

University of the Aegean, Chios, Greece

Karatzimas Sotiris

University of the Aegean, Chios, Greece

Abstract

From the 1st of January 2005 all listed companies in the European Union have to prepare their financial statements according to the International Accounting Standards (IAS). The new standards are characterized from significant deviations compared to the Greek legislation, while their application demands various changes in the internal environment of Greek companies. Since managers have to make extremely important decisions concerning the policies and methods that the organization will adopt, it is obvious that the IAS application has affected the decision-making procedures in some matter. The purpose of this study is to examine the impacts of the IAS application in the decision-making procedure of the Greek listed manufacturing companies. To achieve that we analyze the reconciliation statements of the net income, since we believe that the changes in the income statement are directly linked to management accounting policies and decisions.

Keywords: International Accounting Standards, Decision-making, Management Accounting, Reconciliation Statements, Manufacturing sector, Greek Generally Accepted Accounting Principles

Parallel Session 5

Session Chair: Andreas Andrikopoulos, University of Aegean, Greece

Room: Larnaka

Time: 10:45 -12:00

"Η επίδραση των Αμυντικών Δαπανών και άλλων Κοινωνικό-Οικονομικών Μεταβλητών στην Οικονομική Ανάπτυξη :Μια έρευνα για την Ελλάδα με την Ανάλυση Granger"

Τάσος Στυλιανού,

University of Macedonia, Greece

Abstract

Στην εργασία αυτή ελέγχονται εμπειρικά οι αιτιατές σχέσεις ανάμεσα στις αμυντικές δαπάνες, σε οικονομικές και κοινωνικές μεταβλητές, όπως η οικονομική ανάπτυξη, οι δαπάνες για εκπαίδευση και οι κεφαλαιουχικές δαπάνες. Η Ελλάδα βρίσκεται σε μια κρίσιμη οικονομικά περίοδο και λαμβάνοντας υπόψη την κοινωνικό-οικονομική κατάσταση που επικρατεί προσπαθούμε να αναλύσουμε τις αιτιατές σχέσεις ανάμεσα στο επίπεδο της οικονομικής ανάπτυξης, τις στρατιωτικές δαπάνες, τις κεφαλαιουχικές δαπάνες, και τις δαπάνες για εκπαίδευση. Χρησιμοποιήσαμε ένα πολυμεταβλητό αυτοπαλίνδρομο υπόδειγμα VAR για την περίοδο 1960 - 2006. Τα αποτελέσματα της έρευνας έδειξαν, ότι υπάρχουν τόσο βραχυχρόνιες, όσο και μακροχρόνιες σχέσεις μεταξύ των υπό εξέταση μεταβλητών. Οι κεφαλαιουχικές και οι δαπάνες για την εκπαίδευση διαδραματίζουν σημαντικότατο ρόλο στην ελληνική οικονομία, τόσο από οικονομική όσο και από κοινωνική άποψη και αποτελούν κατευθυντήριες δυνάμεις της οικονομικής ανάπτυξης.

JEL: C32, H50

Λέξεις Κλειδιά: Οικονομική ανάπτυξη ,Αμυντικές δαπάνες, Κεφαλαιουχικές δαπάνες, Δαπάνες εκπαίδευσης, Αιτιότητα.

"Finance: An Essay on Objects and Methods of Inquiry"

Andreas Andrikopoulos,

University of Piraeus, Greece

Abstract

This paper outlines the assumptions on the nature of financial markets and investments which condition the mainstream theory of finance. Explanatory problems of financial economics are associated with the assumptions on financial reality and the respective method of inquiry, one routed in the practices of (some branches of) natural sciences. In an alternative conception of finance, financial markets are socially structured and are knowable to investors and theorists through fallible and transitive perceptions and theories.

«Εμπειρική έρευνα διερεύνησης και προσδιορισμού των ενδοεπιχειρησιακών παραγόντων διατηρησιμότητας των μεταποιητικών μονάδων στην Περιφέρεια Ανατολικής Μακεδονίας και Θράκης (ΑΜΘ)»

Μ. Νικολαΐδης
Τεχνολογικό Εκπαιδευτικό Ίδρυμα Καβάλας, Ελλάδα
Π. Πολυχρονίδου
Τεχνολογικό Εκπαιδευτικό Ίδρυμα Καβάλας, Ελλάδα
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Γεωπόνος Αγροτικής Οικονομίας
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Αριστοτέλειο Πανεπιστήμιο Θεσσαλονίκης

Περίληψη

Οι ραγδαίες εξελίξεις της οικονομικής κρίσης και η εμφάνιση ήδη του πρώτου κύματος των αρνητικών επιπτώσεών της στην Ελλάδα σηματοδοτούν την ανάγκη άμεσης ενασχόλησης της επιστημονικής κοινότητας και των αρμόδιων φορέων με τα πραγματικά προβλήματα της κοινωνίας. Στο πλαίσιο αυτό, η διερεύνηση των παραγόντων διατηρησιμότητας των μεταποιητικών επιχειρήσεων της Περιφέρειας ΑΜΘ, με τις δυσμενείς συνθήκες ανάπτυξης και τη διαπιστωμένα αυξημένη θνησιμότητα επιχειρήσεων, εκτιμάται ότι θα οδηγήσει σε χρήσιμες διαπιστώσεις, οι οποίες μπορούν να αποτελέσουν βάση για ορθολογικότερο προγραμματισμό και λήψη αποφάσεων. Η εργασία αυτή επικεντρώνεται στη ενδελεχή διερεύνηση των παραγόντων του συνολικού επιχειρησιακού περιβάλλοντος.

Keywords: Περιφερειακή πολιτική, διατηρησιμότητα επιχειρήσεων, τομέας μεταποίησης, Περιφέρεια ΑΜΘ.

Parallel Session 6

Session Chair: Andreas G. Merikas, University of Piraeus, Greece

Room: Paphos

Time: 10:45-12:00

"Assessing the Hedging Efficiency of futures contracts on single routes from a portfolio management perspective.

The case of IMAREX traded contracts on TD3 and TD5 routes."

Kostas Theodoropoulos,

University of Piraeus, Greece

Andreas G. Merikas,

University of Piraeus, Greece

Abstract

Using daily and weekly closing prices of IMAREX futures contracts as well as prices for the underlying routes provided by Baltic Exchange, VECM-GARCH and VECM-GARCH-X models are employed to model the means and variances of the TD3 and TD5 routes returns. After investigation, the necessary cointegration relationship between futures contracts and underlying routes is justified. With this in mind the following GARCH-X specification can be implemented. The GARCH-X specification includes the error correction term of the first stage ECM employed in the modeling of the means of the series, into the specification of the conditional covariance matrix. In this way, a link between risk variability and return variability is introduced based on the theory introduced Lee (1994) and others. Subsequent hedge ratio estimates, are extracted and used to form hedged portfolios including the underlying route and the front end future contact. Two different hedging efficiency measures are used to assess the hedging efficiency results, namely the Ederighton Minimum Variance criterion and the Alexander – Barbosa Certainty equivalent criterion. Results are also compared with naïve hedge and OLS static hedge ratio portfolios. Findings indicate the superiority of time varying Hedge ratios and the dominance of VECM-GARCH-X specifications relative to VECM-GARCH specifications. Results vary between routes and between different data frequency considerably. Hedging efficiency of the investigated routes, is moderately limited by special features of the underlying market, compared to others futures markets, but is enhanced compared with previous studies in the Maritime derivatives markets.

Parallel Session 7

Session Chair: Christos I. Negakis, University of Macedonia, Greece

Room: Nicosia

Time: 14:15-15:30

"Compliance of Greek Banks to IFRS 7: Some Preliminary Evidence"

Christos I. Negakis,

University of Macedonia, Greece

Paraskevi S. Paliogianni,

University of Macedonia, Greece

Aggeliki D. Samara,

National and Kapodistrian University of Athens, Greece

Abstract

This study investigates the degree of compliance of Greek banks to the basic disclosure requirements of IFRS 7. We examine all the firms of the banking sector in the Athens Stock Exchange for the period 2004-2009 drawing accounting data from the Hellastat database and stock price data from the Athens Stock Exchange. We construct a compliance index based on the examination of the notes of the financial statements of the sample firms and the construction of dummy variables taking the value of 1 if a sample firm fully complied with a given disclosure in a given year and zero otherwise. The compliance index is constructed in each year and for each firm as the sum of the dummy variable divided by the number of the disclosures. Then, we report descriptive statistics for the key variables in levels and in deflated form by using opening stock price as the deflator. We also examine the robustness of the results using a quantile regression framework. We use the model of Ohlson (1995) both in levels and returns specifications. The average value of the compliance index is approximately 43%. Generally, book values of equity (earnings) have information content for stock prices in returns (level) regressions. Furthermore, the inclusion of the compliance index does not seem to provide additional explanatory power for stock prices and investors do not seem to take into account the greater extent of the information included in the notes of the financial statements of banks regarding the IFRS 7.

“The Use of Fair Value for Fixed Assets' Valuation in Greece: Initial Evidence”

Anestis C. Ladas

University of Macedonia

Aggeliki D. Samara

National and Kapodistrian University of Athens

Abstract

The present paper examines the effects of the IFRS adoption in Greece and in specific the use of fair value in fixed assets’ valuation after the implementation of IAS 16. The paper uses a manually collected dataset of listed firms in the Athens Stock Exchange for the period 2005-2009. The scope of the study is to examine if the choice to use the revaluation model (fair value) in fixed assets’ valuation is related to the managers’ attempt to signal the true economic performance of the firm or stated differently to report more value relevant financial statements (valuation explanation). On the other hand, the choice to use the cost model (historical cost) is related in the literature to conservatism and by turn conservatism is related to the demand by shareholders and debt-holders of conservative financial reporting in order to reduce agency costs (contracting explanation). Therefore, the present study also examines if the choice of the cost model is related to the level of conservatism of the firm. The study uses the models of Francis and Schipper (1999) for the measurement of value relevance and Beaver and Ryan (2000) for the measurement of conservatism. The results show that the choice of the valuation model for fixed assets does not seem to be related neither to the need for more value relevant financial statements (valuation explanation) nor to the level of conservatism (contracting explanation).

JEL: M41

Keywords: Fixed Assets, Fair Value, IAS 16, IFRS

«Το ελεγκτικό επάγγελμα μετά την Πράσινη Βίβλο»

Δημήτρης Ντζανάτος

Ορκωτός Ελεγκτής, Πρόεδρος Grant Thornton Hellas, Greece

Abstract

Τον Οκτώβρη του 2010 δημοσιεύτηκε από την Ευρωπαϊκή Επιτροπή ένα έγγραφο με τίτλο «ΠΡΑΣΙΝΗ ΒΙΒΛΟΣ: Πολιτική ελέγχου: Διδάγματα που αντλήθηκαν από την κρίση». Πρόκειται για ένα πολύ σημαντικό κείμενο αναφορικά με το επάγγελμά της Ελεγκτικής, που είναι υψηλής πολιτικής στάθμης, αποφεύγει τις κοινοτυπίες, απαντά με ευθύτητα σε περίπλοκα θέματα για το χώρο μας και θέτει τις κατευθύνσεις της εξέλιξης του ελεγκτικού επαγγέλματος στην Ε.Ε., αλλά και παγκόσμια. Είναι

απαραίτητο για όλους όσοι ασχολούνται με το ελεγκτικό επάγγελμα και ειδικά για τους νέους επαγγελματίες του χώρου, να απαλλαγούν από στερεότυπα και να κατανοήσουν τι συνεπάγονται πρακτικά οι προτάσεις της «Βίβλου», γιατί με βάση αυτές θα διαμορφωθεί το ελεγκτικό τοπίο στα επόμενα χρόνια.

"The Relation between R&D Expenditures and Earnings Management: Evidence from ASE"

Mihalis Samarinas

University of Macedonia

Panayiotis Tahinakis

University of Macedonia

Abstract

This research paper tries to answer a serious question by searching for evidence of Earnings Management through R&D expenditures in Greece. In other words; is there any evidence that the Greek public companies manage their earnings through R&D expenses, in order to report earnings that coincide with the analysts and investors estimations? In contrast with the Accrual based Earnings Management research, the R&D expenses can be manipulated through real activities. This fact makes their Earnings Management detection, quite difficult. Our research, in order to produce a valid answer for this research question and the detection of real activities earnings manipulation, uses the Perry, Grinaker (1994) model which is an Abnormal accounting measures model. The R&D data which we used for that reason are collected from all the Greek public firms for the period 2005-2009. The results of this methodology depict that there are evidence of R&D expenses' Earnings Management of the Greek public companies. Managers seem to manipulate earnings using R&D expenses in order for their disclosed earnings to coincide with analysts' estimations.

JEL: M41
Keywords: R&D expenditures, real activities earnings management

Parallel Session 8

Session Chair: Costas Siriopoulos, University of Patras,

Room: Larnaka

Time: 14:15-15:30

“Explaining House Price Changes in Greece”

Dimitrios Gounopoulos,

University of Surrey, UK

Andreas Merikas,

University of Piraeus, Greece

Anna Merika,

The American College of Greece, Greece

Anna Triantafyllou,

The American College of Greece, Greece

Abstract

This paper develops an equilibrium model for the Greek housing market that incorporates both macroeconomic as well as country-specific variables that affect demand for and supply of houses. In the overall uprising phase of the 23-year period examined (1985Q1-2008Q1), our investigation of short-term fluctuations in real house prices and stock prices confirms the inverse relationship between movements in the housing price index and the stock exchange general index, identifies the direction of causality as running from the financial sector to the real sector, and finds that, following an exogenous shock, reversion to the long-run equilibrium is a rather slow process. Furthermore, we identify a fundamental shift in the behaviour of Greek homeowners, who appear to be moving away from the treatment of housing as consumption good, towards treating house purchases as investment.

“The Q-Gamma for Portfolios”

Vasilis Polimenis,

Aristotle University of Thessaloniki, Greece

Nikolaos L. Hourvouliades,

The American College of Thessaloniki, Greece

Abstract

The q-gamma, a new measure of stock risk that measures quadratic sensitivities is proposed. The aim of the -gamma is to go beyond the traditional beta and measure exposure to large risks. The central idea is that squaring returns is a natural way to filter out small returns. Our hypothesis is that stocks for which systematic exposure is largely due to large movements are more risky, since for such stocks large systematic jumps are difficult to diversify away. We postulate that knowledge of the q-gammas can help quantify and mitigate the uncertainty in investment decision making and thus enhance financial risk management. The model is used to extract the -gammas for a large and important collection of 25 stock portfolios stratified on the basis of their market capitalization and Book-to-Market ratio quintiles.

Keywords: stock beta; noise trading; information in stock prices; return skewness; market co-skewness; q-gamma

JEL Classification: G12

"Measuring the effect of the ECB information flow- An empirical analysis"

Dionisis Th. Philippas,

University of Patras, Greece

Costas Siriopoulos,

University of Patras, Greece

Abstract

This paper presents a framework in order to evaluate the effect of ECB announcements to financial markets and particular, on Euribor 3M. This approach examines whether the ECB announcement has a significant effect to uncertainty. The demand for information market can be measured by the entropy that these announcements create using all the public available information by hard copy and internet press. Separating the announcements to time windows and categorize them based on their impact to market participants, our approach determines when ECB announcements increases entropy and can affect market participants by changing their investing policy.

Afterwards, an empirical simulation is performed for the Euribor market based on the measured entropy. The final part includes comments and analysis of the findings. The

results show that there is a significant evidence of an announcement to Euribor 3M and, furthermore, to market participants.

Parallel Session 9

Session Chair: Νικόλαος Μυλωνάς, Εθνικό και Καποδιστριακό Πανεπιστήμιο Αθηνών, Ελλάδα

Room: Paphos

Time: 14:15-15:30

"The Efficiency of VIX futures market – A panel data approach"

Athanasios P. Fassas,

Pegasus Securities SA and University of Macedonia, Greece

Costas Siriopoulos,

University of Patras, Greece

Abstract

This study examines whether VIX futures prices are unbiased and efficient predictors of the VIX index. The particular empirical analysis differs from the usually applied tests in that it uses a panel estimation approach. Panel regression has several advantages as it offers more flexibility in modelling the efficiency of several futures contract with overlapping dataset. As a result, this methodology enables us to include all daily closing prices of VIX futures contracts that expired between May 2004 and December 2009, a total of 64 contracts. The empirical findings support the hypothesis that VIX futures are good predictors of spot VIX values. The tests show that the VIX futures with a forecast horizon up to 23 days do not incorporate a significant risk premium and thus, can be considered as unbiased and efficient estimators of the relevant spot VIX levels.

Keywords: *VIX futures, Market efficiency, panel data*.

JEL Classification Codes: G10, G13, G14, C23

“Η ΕΠΙΔΡΑΣΗ ΤΗΣ ΕΙΣΑΓΩΓΗΣ ΠΡΟΘΕΣΜΙΑΚΩΝ ΣΥΜΒΟΛΑΙΩΝ ΣΤΗ ΜΕΤΑΒΛΗΤΟΤΗΤΑ ΤΗΣ ΓΑΛΛΙΚΗΣ ΑΓΟΡΑΣ ΜΕΤΡΗΤΟΙΣ ΗΛΕΚΤΡΙΚΗΣ ΕΝΕΡΓΕΙΑΣ”

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Abstract

Στο άρθρο αυτό εξετάζεται η επίδραση της εισαγωγής Συμβολαίων Μελλοντικής Εκπλήρωσης (ΣΜΕ) στη μεταβλητότητα της αγοράς μετρητοίς ηλεκτρικής ενέργειας (spot market) της Γαλλίας και της Γερμανίας την περίοδο 2002-2009. Σε αντίθεση με προηγούμενες έρευνες, η οικονομετρική ανάλυση λαμβάνει υπόψη τη συγκέντρωση μεταβλητότητας (volatility clustering) που αποτελεί ένα από τα ιδιαίτερα χαρακτηριστικά της διαχρονικής εξέλιξης των τιμών ηλεκτρικής ενέργειας. Κατά την ανάλυση της βασικής υπόθεσης αξιοποιείται ένα διμεταβλητό υπόδειγμα διόρθωσης σφάλματος, όπου η μήτρα της διακύμανσης–συνδιακύμανσης ακολουθεί μια διαδικασία γνωστή ως γενικευμένη αυτοπαλίνδρομη υπό-συνθήκη ετεροσκεδαστικότητα πρώτης τάξεως (VECM-GARCH). Από την ανάλυση διαπιστώνεται ότι η αγορά της Γερμανίας ασκεί επιρροή στις τιμές της Γαλλίας, ενώ δεν συμβαίνει το αντίστροφο. Ως προς τη βασική υπόθεση διαπιστώνεται ότι η εισαγωγή ΣΜΕ στη Γαλλία συνέβαλε στη μείωση της μεταβλητότητας των τιμών στην υποκείμενη αγορά μετρητοίς.

Λέξεις-Κλειδιά
ΣΜΕ ηλεκτρικής ενέργειας, Συγκέντρωση μεταβλητότητας, Αγορά μετρητοίς ηλεκτρικής ενέργειας

“Corporate Diversification Profiles and Firm Value”

Panayotis C. Andreou,

Cyprus University of Technology, Cyprus & Durham Business School, UK

Christodoulos Louca,

Cyprus University of Technology, Cyprus & Durham Business School, UK

Abstract

In this study, we investigate the performance of diversification profile strategies, as indicated by single-time and multi-time corporate diversification activities. We find that diversification significantly reduces shareholders wealth relative to single-segment firms. However, the value destruction is driven by firms that diversify once from single-segment to multiple-segments. In contrast, firms that diversify once from multiple-segments to multiple-segments experience statistically insignificant value destructions, while firms that diversify multiple-times experience a value creation. Finally, we also find that diversifying firms that do not change the number of their segments trade neither at a discount nor at a premium relative to single-segment firms. Our findings suggest that aggregating diversifying firms and ignoring diversification profiles may lead to the controversial conclusion that corporate diversification destroys value, whatsoever.

Keywords: Restructuring, Diversification, Singe-time diversifiers, Multi-time diversifiers, Excess value, Performance.

JEL Codes: L25, G34

Parallel Session 10

Session Chair: Angelos A. Tsaklagkanos, University of Nicosia, Cyprus

Room: Nicosia

Time: 15:45-17:00

“The Effect of Taxation on European Integrated area: Which tax – Instrument Matter for Fdi Attraction”

Panagiota Boura,

University of Patras, Greece

Antonios Georgopoulos,

University of Patras, Greece

Abstract

In this *paper*, we examine the effect of taxation on inward fdi flows in EU-15 member countries. We use panel data for a period of 1992-2005 and apply *gravity* model with *bilateral* variables, so as to examine the cost - differential among countries. The effect of taxation is tested by the level of statutory tax-rate, which is our explanatory variable, in combination with other control variables, such as market-size, infrastructure, human capital, distance, culture. Then, we *test* whether the above results concerning fdi attraction are modified *after* the application of other tax-variables as explanatory variables, such as effective tax-rates, labor-tax, withholding taxes as well tax-deferrals. In the model, we apply an OLS method, after the application of fixed effects. *Preliminary* results point out that statutory tax-rate differentials, along with the interaction with *tax-deferrals* may be a decisive factor for fdi attraction.

Keywords: Inward– EU Fdi - Inflows, Integration, Statutory tax-rate, Effective tax-rate, Withholding tax-rate, Tax-Deferral, Differentials, Gravity Model, Panel OLS, Fixed-effects

“Tax Incentives and Capital Cost Differentials: The Case of Greece”

Thomas A. Anastasiou,

Athens University of Economics and Business, Greece

Angelos A. Tsaklagkanos,

University of Nicosia, Greece

Abstract

The indication that an incentive measure, as for example investment allowances, may not be operative for marginal investments suggests an analysis, which is carried out in the present article, of capital cost differentials and their effect on the economy's total output. Using the general equilibrium analysis of production and exchange it is indicated that national output, due to these differentials, can be reduced to lower levels than the production possibilities of the economy. Greece is used as an example, where capital cost differentials are found to exist for various periods. It is further shown for Greece that factor price differentiation could be found not so much between firms in different industrial sectors, but mainly between firms in the same industry. The possible characteristics of these latter firms are indicated.

Key words: Tax incentives, investment, factor price differentiation

JEL Classification: E6, E62

"LINKING e- LEARNING TO THE BALANCED SCORECARD FOR ENABLE SALES PERFORMANCE

A Case Study in Mercedes Benz Cyprus"

Angelos Vouldis

Business Analyst Manager, Cyprus Import Corporation Ltd, Mercedes Benz, Cyprus

Abstract

This paper is a case study that outlines e-learning as imperative for a company and that information and communication technologies may enable an organisation to strengthen its sales performance and develop its internal business processes. Towards this aim, the case study described in this paper focuses on two objectives: to review on existing theory on the subject of e-learning for organisational proposes and sales performance and to combine primary and secondary research results towards to solicit how e-learning platforms enable sales performance.

Keywords: Sales performance, information systems, e-learning, Internet

Parallel Session 11

Session Chair: George Theocharides, Cyprus International Institue of Management, Cyprus

Room: Larnaka

Time: 15:30-17:00

"Cross-Market Liquidity Shocks: Evidence from the CDS, Corporate Bond, and Equity Markets"

Gady Jacoby,

Seton Hall University, USA

George J. Jiang,

University of Arizona, USA

George Theocharides,

Cyprus International Institute of Management, Cyprus

Abstract

Using data from the credit default swap (CDS), corporate bond, and equity markets, we construct several measures of liquidity and examine the spill-over of liquidity shocks across these markets. Based on the principal component analysis of multiple liquidity measures, we show that there is a dominant first principal component in each of the markets. However, the linkage of liquidity shocks varies between different markets. In particular, there is a common component between the equity and both CDS and bond markets, but not between the CDS and bond market. Moreover, the vector autoregression results show that while there is spill-over of liquidity shocks between equity and CDS markets, surprisingly there is no clear spill-over of liquidity shocks between equity and bond markets. There appears to be a time lag of liquidity spillover from the CDS to both bond and equity markets. Finally, we find no evidence of liquidity spill-over from bond to CDS market.

Key Words: Liquidity shock; Commonality

"Disclosure Quality, Bid-Ask Spreads and Auditors Report"

Athanasios Daskalakis,

University of Macedonia, Greece

Abstract

The disclosure quality is closely related to the efficient investment decisions and the efficient operation of capital markets. Information asymmetry, as measured by bid ask spread, is one of the most important factors for the estimation of the quality available to the users of the financial statements. This variable was found to be significantly related to the size of a firm, since larger firms were found to provide higher quality of information. Another factor closely related to disclosure quality is the categorization of an audit firm as "Big 4". The auditing tools and the reputational and litigation risk undertaken by these audit firms, reflects an expected high level of audit quality. The negative and significant relationship between the qualifications and the emphasis notes in the auditor report and the variable of "big 4" explains the role of auditor's report on the disclosure quality of the financial data published. Specific firms' characteristics enhance the explanation of this relationship and prove that size, debt level and liquidity of a firm can alter the disclosure quality level chosen by the management. The results of this research are very important when the role of the quality of the information disclosed is considered.

Keywords: Auditor report, auditor change, bid-ask spreads, big 4 audit firms, disclosure quality, information asymmetry, International Auditing Standards, International Financial Reporting Standards.

Parallel Session 12

Session Chair: Stefanos Papadamou, University of Thessaly, Greece

Room: Paphos

Time: 15:30-17:00

"Interest rate risk and Bank of England operational independence: Evidence from bank and life insurance companies"

Stephanos Papadamou,

University of Thessaly, Greece

Costas Siriopoulos,

University of Patras, Greece

Abstract

This study investigate**s** whether bank and life insurance equity returns' sensitivity to long-term unanticipated interest rate changes has changed since the Bank of England was granted operational independence in May 1997. By using rolling regression techniques and GARCH in mean models we find evidence that there may well have been changes in the way banks and life insurance companies manage interest rate risk. In particular, we document that since more transparent monetary policy actions were adopted by the Bank of England the magnitude of interest rate risk exposure has changed and its significance reduced. These results should be of much banking and policy interest, especially concerning financial stability issues. It seems that a monetary policy regime such as inflation targeting is not enough to reduce interest rate risk. Additional institutional reforms toward more monetary transparency are needed.

JEL classification: G21, G28, E44

Keywords: banking, interest rate risk, monetary policy, transparency

"Multistage investment options with optimal capital structure and financing constraints"

Elettra Agliardi,

University of Bologna, Italy and RCEA

Nicos Koussis,

Frederick University, Cyprus

Abstract

A multi-stage framework with finite horizon investment options and optimal capital structure with multiple classes of debt is developed. The model captures realistic features for debt seniority, time-to-build, and expansion options. The study investigates the effect of debt and equity constraints on firm value, leverage and debt maturity and the effect of time-to-build on the leverage choices of the firm with or without financing constraints.

Key words: investment options, real options, optimal capital structure; debt seniority; binomial lattice models; financing constraints.

JEL Classification: G3; G32; G33; G1

"A Volatility Smirk that Defaults: The Case of the S&P 500 Index Options"

Panayiotis C. Andreou,

Cyprus University of Technology, Cyprus

Abstract

Modern financial engineering has dedicated significant effort in developing sophisticated option pricing models to replicate the implied volatility smirk anomaly. Nonetheless, there is limited empirical evidence to examine the causes of this anomaly implied by market options data. The primary purpose of this study is to investigate the time-series economic determinants that affect the shape of the S&P 500 index Implied Volatility Function (IVF). The analysis is carried out on a daily basis and covers the period from January 1998 to December 2007. One of the most important contributions of this study is to investigate how the *market default risk* affects the shape of the risk-neutral density function implied by the S&P 500 index options. In order to create the proxy for the market default risk, I compute the daily probability-to-default measure for all individual, non-financial, firms included in the S&P 500 index. The daily probability-to-default is calculated with the Merton distance-to-default measure, which is based on Merton's (1974) option pricing model. Part of my analysis includes discussions of the different versions of the default risk that I compute and compare with some key results reported in Bharath and Shumway (2008). My analysis shows that the market default risk has a dual role to play, since it can potentially capture both, the market leverage effect, as well as, the market's perceptions about the future growth/state of the economy. As such, market default risk has been found to affect the shape of the S&P 500 index IVF in numerous ways. The results suggest that, besides options pricing models that admit stochastic volatility and random jumps, it is also worthwhile to exploit models that take into account market leverage such as the ones of Geske (1979) and Toft and Prucyk (1997). More importantly, in a regression analysis where I disentangle the role of market leverage by separating it from the asset return, I show that the contemporaneous index return is still important in explaining the shape of the S&P 500 index IVF. The results of this study illuminate a set of economic determinants that are found to affect the risk-neutral density function of the index. These factors are related to characteristics of the underlying asset and micro-structure variables characterizing the option market itself. Financial engineers can exploit the role and importance of these factors in the future, in order to improve the forecasting accuracy, as well as, the hedging and risk management performance of option pricing models.

JEL classification: G12, G13, G14

Keywords: default risk, implied volatility smirk, deterministic volatility functions, determinants, trading volume.