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THE USE OF INTERNATIONAL SHORT-TERM INVESTMENTS BY THE FORTUNE 100

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The enormous growth in the number of American firms engaged in international business has increased the research on global financial management tremendously, with the notable exception of transcontinental working capital management. This paper is an attempt to address this issue. The focus of the paper is international marketable securities. This article reports the results of a survey of the Fortune 100. The purpose of the survey was to obtain information on the use of international short-term investments by major American firms, as well as to identify some predictors of such investment. Thus, the importance of this paper lies in its practical relevance to finance practitioners in managing the treasury function, and to academics teaching working capital management or international finance.

INSTITUTIONAL CHARACTERISTICS, FACULTY SATISFACTION, AND INTERNATIONALIZATION OF THE FINANCE CURRICULUM

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Finance education at universities needs to reflect the changing global business environment to prepare students to be effective in overseas operations and meet the growing demand for those who can function in a globally competitive environment. This study examines institutional factors that are related to the approach for internationalizing the finance curriculum. We also examine the association between the approach to internationalizing the finance curriculum, treatment of the course, and the size of the department, college and university. A survey of 148 faculty who teach international finance at 126 universities identifies levels of satisfaction with current curriculum internationalization efforts and the level of support given to faculty members who wish to improve their teaching and research methods in international finance. In addition, AACSB accreditation status and treatment of the international finance course are profiled.

POLITICS AND EXCHANGE RATES IN LATIN AMERICA

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This paper examines the impact of presidential elections on exchange rate behavior for a group of thirteen Latin American countries for the period from 1972 to 1995. For each of thirty-four presidential elections, currency revaluation and exchange rate variability measures are compared for periods before, during and after the period of electoral activity. The empirical results suggest that presidential elections had little or no detectable impact on exchange rates in the majority of elections examined, but a statistically significant (and often substantial) relationship was found in an important minority of the elections. The impact of an election on currency values appears to vary substantially from election to election.

THE IMPACT OF RESERVE-REQUIREMENT CHANGES ON LARGE BANKS' CDs PREMIA FURTHER EVIDENCE ON UNIQUENESS OF BANK LOANS

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This study examines the impact of changes in reserve requirements on the behavior of banks' CDs rates relative to the rates paid on Treasury bills, commercial paper and bankers' acceptances. The findings indicate that the CD market rates responded negatively to announcement of reserve-requirement increases and positively to announcements of decreases. This new evidence suggests that banks' CD holders bear part of the reserve tax. As to whether banks' borrowers bear part of the tax remains an open question. Thus, until further evidence is revealed the case of the uniqueness of bank loans should not be built on the incidence of the reserve-requirement tax alone. Our findings, however, do not preclude the possibility that banks' borrowers might bear part of the reserve tax and that banks' loans are unique.

THE INTRA-YEAR DELAY OF INTERIM DISCRETIONARY ACCRUALS

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Current financial accounting practice allows managers' considerable discretion in determining the magnitude of accruals and the timing of accruals reporting. Accounting Principles Board (APB) Opinion No. 28: Interim Financial Reporting adopted an integral approach which further enhanced managers' ability to either defer or accrue certain expenses depending on their expectations about the results of operations for the remainder of the fiscal year. However, it is not entirely clear that managers use this discretion to report their unbiased belief about the results of operations within a fiscal year. This study investigates the seasonal pattern of three proxies of discretionary accruals: (1) total accruals (TA), (2) current accruals (CA), and (3) noncurrent accruals (NCA). Using 76,634 observations from 2,398 NYSE/AMEX firms for which data is available in the 1995 Compustat Primary-Supplementary-Tertiary (PST), Backdata and Research files, we demonstrate that discretionary accruals are significantly larger in the fourth quarter than in the other quarters. We also document that accruals generally increase as each quarter goes by. While fourth quarter revenues are somewhat larger than those in other quarters, the seasonality of revenues does not fully explain the seasonality of accruals. This implies that the seasonality of accruals does not arise from the underlying seasonality of the operating activity of firms. These results are robust across different industries, firm sizes and fiscal year-ends.

DOMESTIC VERSUS CROSS-BORDER ALLIANCES: AN EXPLORATORY STUDY OF RELATIONSHIP DIFFERENCES

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International alliances predominate the literature (Terpstra and Simonin 1993), even though almost one-half of strategic alliances formed by U.S. firms in the late 1980s involved domestic partners (Culpan and Kostelac 1993). This study compares domestic and cross-border alliances in two areas: the structural framework (linkage, form, mode, coverage, and motive) and performance (perceived effectiveness) of the relationship. The findings indicate that though significant differences exist in the structural framework of domestic and cross-border alliances, these differences do not precipitate divergent levels of relationship effectiveness. Alliances, regardless of partner origin, appear effective at meeting the expectations created by such a cooperative venture.

A MULTINATIONAL LIQUIDITY COMPARISON OF MANUFACTURING FIRMS

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Using a sample of U.S.-based manufacturing firms with at least 20% of their revenue generated abroad, static measures of liquidity indicate that small MNCs are more liquid while dynamic measures of liquidity indicate that large MNCs are more liquid. These results are consistent with the idea that managers of relatively small MNCs carry larger balances of current assets to capitalize on investments in growth opportunities or to avoid bankruptcy and the loss of employment. Furthermore, the findings of this study suggest that large MNCs have shorter business cycles and are more focused on managing their liquidity.

AN EMPIRICAL STUDY OF THE IMPACT OF DEBT SERVICE RATIO VOLATILITY ON DEBT SERVICE CAPACITY

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Financial theoreticians have two diametrically opposed opinions on whether high volatility of indicators of a sovereign's debt service capacity (DSC) will affect its DSC or not. This paper summarizes these opinions into several hypotheses and examines them empirically. Data of debt service ratio and DSC of 105 countries between 1985-1992 were collected and volatility of each country's debt service ratios are computed. Stepwise logistics regression analyses and multivariate Chi-square tests are conducted to test the relationship between the volatility of a country's DSC indicators and its DSC. Evidence has been found that generally DSC indicators' volatility is not a significant factor affecting a sovereign's DSC. This is probably because the major concern of a sovereign is the reputation of the nation so that the country can maintain a stable source of future international loans. When a borrowing country encounters financial shocks, it often adopts austerity policy and will default its loan only as a last resort. However, among medium-income countries, DSC indicators' volatility does affect a sovereign's DSC. This is probably because the governments in those countries are politically weak and cannot cutback imports to lower the nation's consumption level and make voters unhappy.