

A white outline of a world map is centered on the page. The map shows the continents of North America, South America, Europe, Africa, Asia, and Australia. The text is overlaid on the map.

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Cross-Listing and Earnings Management Surrounding SOX

Dong-Kyoon Kim, Myungsoo Son, and Nilufer Usmen

This paper provides evidence on the relative efficacy of the Sarbanes-Oxley Act (SOX) by comparing the financial reporting practices of cross-listed non-U.S. firms and matched U.S. firms. Using a pair sample research design, we observe a different level of managerial discretion in accounting choices between cross-listed non-U.S. firms and U.S. control firms. Cross-listed firms tend to have larger absolute discretionary accruals meaning greater flexibility in accounting choices. This result is attributed to an absence of enforcement from regulators for those firms compared to their U.S. counterparts. This tendency is more pronounced after SOX, the purpose of which is to improve quality of financial information. After SOX, opportunistic accounting discretion of cross-listed firms remains unchanged while U.S. firms become less extreme in their accounting choices.

The Wealth Effects of Cross-Border Diversification Strategies of Emerging Market Multinationals

Kien Cao, Kimberly Gleason, and Jeff Madura

Firms from emerging markets have become important participants in the international market for acquisition targets cross-border. This paper investigates the market reaction to diversification strategies of emerging country acquirers announcing cross-border M&As. Our results indicate that emerging markets shareholders are primarily interested in risk reduction benefits arising from acquisitions in countries where the correlation of returns between acquirers and targets is low, and that these anticipated risk reductions are ultimately realized over the two years following the acquisitions.

Valuation of American Equity Options with Quadratic Approximation Models Adopting Fractional Brownian Motion

Sang Woo Heo, Yalçın Sarol and Jun Gyu Kang

In this article, we compare the accuracy of the American approximation models: MBAW model (Macmillan, 1986; Barone-Adesi and Whaley, 1987) and MQuad model (Ju and Zhong, 1999) as well as the Black-Scholes (B-S) model adopting fractional Brownian Motion (fBm) for three financial companies' equity put options data for the period from January 2004 to February 2010. The degree of accuracy is measured according to moneyness, variance estimate, and maturity. We find that the models occupied with fBm are more accurate and stable than the corresponding models across the board. In particular, there is a great advantage of using the fBm-based models when historical volatility is used. Even though the fractional Black-Scholes (FBS) model is for pricing European options, it is the best choice for long term maturity options. The FBS model is also capable of correcting the overestimation of the B-S model.

The Relative Performance of ADRs and U.S. stocks in October 2007 and October 2008

Tibebe A. Assefa and Dave O. Jackson

We examine the performance of a sample of 116 ADRs and 536 U.S. stocks in October 2007 and October 2008 using a one-year buy and hold methodology. The stocks and ADRs in this study are listed on the U.S. stock exchanges. We compare their performance when the U.S. stock market was relatively high (October 2007) and sharply declining (October 2008). Our findings indicate that U.S. stocks and ADR returns differ depending on whether the U.S. stock market is relatively high or sharply declining. Generally, ADR returns are more volatile than stocks. When the market is high, ADRs perform better than U.S. stocks; and when the U.S. stock market is sharply declining, the performance is reversed. The performance of ADRs and stocks also vary by industry with the banking, communication, biotechnology, gold, and independent oil and gas industries being negatively associated with stocks compared to ADRs while the utilities, semiconductor, and insurance industries are positively associated with cumulative returns of stocks compared to ADRs.

Impact of Single Stock Futures on the Volatility of Underlying Russian Stocks

Thadavillil Jithendranathan and David O. Vang

This paper looks into the effect of Single Stock Futures (SSF) introduction on the trading volume and volatility of underlying stocks in two different Russian markets. The results indicate that there is very little evidence of trading volume shift from the spot market to the futures markets. Using a GARCH(1,1) model the underlying stock volatility for 5 different stocks are estimated and these results indicate that there is a reduction in volatility after the introduction of SSF in the majority of the stocks. Granger causality tests do not indicate that the futures trading causes significant changes in stock volatility.

European Academic Harmonization and Accreditation and Their Effects on Publication

Michael Hartmann and John Pearson

Over the past two decades, a number of forces have compelled European governments to reevaluate their disparate academic systems and to work toward common standards for academic degrees. European academic ministers have chosen to sacrifice some of their autonomy in order to establish academic credential transparency and mobility across Europe. Since two major types of academic business schools have developed in Europe, the American system and the German system, this article recaps the historical development of the two academic systems and documents the changes which have been published in a variety of conferences, joint declarations, and extensive reports. The effects of harmonization have begun to alter the structure of doctoral programs and research institutions across Europe and will impact programs across the globe. This paper examines the history of these academic changes and explores the future opportunities and challenges for the global academic setting.
