Volume 18, Number 1, 2016 **ISSN: 2050-8313**

Allied Academies
International Conference in Jamaica

Proceedings

Editor

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Allied Academies

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Martin Milkman, Murray State University
Simone Silva, Murray State University
Narine Badasyan, Murray State University

ABSTRACT

Instituted in Brazil in 2008, the "Broadband at School" program aimed to bring broadband to all urban public schools. This paper examines the effect of this program on the schools' average Portuguese standardized scores of 9th graders. To establish causality, the possibility of endogeneity, specifically, that better schools are more likely to participate in the program which would bias the effects of program participation upwards, must be considered. We address this issue in several ways. First, we investigate official policy dictating program participation to verify if it is linked to school performance. In addition, we verify how exogenous program participation is to observed characteristics that are likely to be correlated with unobserved and potentially problematic variables and perform falsification exercises. Although we find no definitive evidence that program participation is endogenous, an extensive list of controls is considered and the method used is system GMM, which explores the panel aspect of the data and is robust under the assumption of endogeneity of program participation. Our overall finding is that "Broadband at School" program improves students' scores.

Keywords: Internet access, academic performance, system GMM.

JEL: I25, H52, L96

BUILDING A COOPERATIVE LEARNING ENVIRONMENT IN FLIPPED CLASSROOM

Kuan-Chou Chen, Purdue University Calumet
Keh-Wen "Carin" Chuang, Purdue University Calumet

ABSTRACT

A flipped classroom is the idea that students will be instructed outside of the classroom and do "homework" or enrichment activities inside of the classroom, once they have learned the material. Specifically, the flipped classroom is a pedagogical model in which the typical lecture and homework elements of a course are reversed. Short video lectures or instructional materials are viewed by students at home before the class session, while in-class time is devoted to exercises, projects, or discussions. Thus more active learning activities and instructions will be designed in the classroom setting. How students interact with each other is a neglected aspect of instruction. Much preparing time is devoted to requiring instructors arrange appropriate interactions between students and materials (i.e., textbooks, curriculum programs) and some time is spent on how instructors should interact with students, or how students should interact with one another. Team work study becomes more important than individual learning. Cooperative learning works to reinforce a student's own learning as well as the learning of his or her fellow group members. Cooperative learning is one types of teaching methods and a successful teaching strategy in which small teams, each with students of different levels of ability, use a variety of learning activities to improve their understanding of a subject. Each member of a team is responsible not only for learning what is taught but also for helping teammates learn, thus creating an atmosphere of achievement. Cooperative groups increase opportunities for students to produce and comprehend language and to obtain modeling and feedback from their peers. Much of the value of cooperative learning lies in the way that teamwork encourages students to engage in such high-level thinking skills as analyzing, explaining, synthesizing, and elaborating.

Instructors are often afraid to implement cooperative learning in the classroom because it requires them to give up some control. However, this method of instruction has been shown to increase student communication skills and academic achievement if done correctly. How to effectively implement cooperative leaning to increase group and individual student learning performance in flipped classroom is always a question? Thus, the purpose of this presentation will conclude with an opportunity to discuss and introduce tools that instructors can implement in their flipped classroom courses.

SOCIAL MEDIA AND COMMUNICATION SKILLS

Jennifer D.E. Thomas, Pace University
Danielle Morin, Concordia University
Dennis Kira, Concordia University

ABSTRACT

This paper presents an exploratory look at the contribution various resources and activities in an online undergraduate Business Technology Management course make to the acquisition of communication skills and the communication tools students use to assist this. Based on our past research, we noticed that students seem to develop their communication skills outside the activities and resources offered in the online course. Students utilize social media to compensate for the human factor missing in an online course. Results presented here show that email messaging, GLearning Campus, and Facebook, are used by a very large number of students, in addition to face-to-face communication. Interestingly text messaging was less used, as were phone calls. These results may be a function of the nature of the course but suggests that students seek community even in an online course.

Keywords: *communication skills, social media*

INTRODUCTION

The overarching goal of all tertiary education is to impart, in addition to content mastery of course material, various higher-order thinking and team-building skills. In an online course, the acquisition of these skills is considered by many as being more challenging to impart than it would be in a traditional classroom setting, none more so than communication skills. (Benson & Samarawickrema, 2009; Mandernach, 2006; MacKnight, 2000). In an online course, the impression is one of isolation in which student's most likely work independently, without reference to their fellow students, apart from some possible discussion board exchanges. Developing communication skills seems a distant possibility.

The popularity of social media interaction suggests that students are likely to employ these means of communication to enhance their online learning experience, with or without instructor intervention. This expectation has been observed in our own past research. (Thomas et al., 2015; Morin et al., 2015). While students appreciate the convenience of online course delivery, the need for the human component is still vital and they tend to seek it out.

The purpose of the research presented here is to explore the above assertions. Do students perceive the acquisition of the development of communication skills in an online Business Technology Management course from the resources and activities used in the course and, do they seek outside means of communication with their fellow online students for the purposes of the course?

THE STUDY

An exploratory study of students' perceptions of their acquisition of communication skills, from the various activities, resources and technologies used in an online Business Technology Management course, and the communication tools they employ for the purposes of the course, are presented in this paper:

The definition of communication skills, based on Thomas, 2001, was given as: ***Communication conveying ideas effectively, both orally and written.***

There were several activities and resources utilized in the course that contributed to the students' learning experience and development of this skill, and several communication tools were possibly used by students to engage with other students in the course. These are:

Activities

- Assignments
- Discussion Board
- Discussion Cases (Students Discuss A Case Online)
- Practice Quizzes
- Website Project (students design a website)

Resources

- Textbook
- Power point notes
- Overall platform (eConcordia Course Management System)

Communication Tools

- Email
- Facebook
- Phone Calls
- Text Messaging
- Blogging
- Face-to-Face
- G Learning Campus (communication system part of platform)
- No Communication
- Other

Flowing from these, the following research questions are explored:

1. What is the relative contribution of the activities and resources of the course to the perceived acquisition of Communication skills?
2. Did students enlist outside communication tools to assist in the course? What were they?

As part of a larger study, the research instrument utilized is a questionnaire containing three parts. The first part is about students' demographics, the second part is about students' perceptions. Students were asked to provide a subjective assessment of the extent to which they felt various activities and resources supported their acquisition of communication skills. The third part asked students to indicate which communication tools they used to assist them in the course.

RESULTS

Demographics

As seen in Table 1, there were more males than females in the course, 54% versus 46%. Of the 376 students, most had moderate to extensive computer experience, 53.5% and 42.6%, respectively, and most were between 20 and 22 years of age, 60%. Most students had taken at least one online course, the average being 2.3. Fifty-four percent had taken less than 30 credits, 45% had taken more.

Table 1 **DEMOGRAPHICS**	
Gender	
202 Males (54.0%)	173 Females (46.0%)
Age (N=377)	
Less than 20	8%
20 less than 22	60%
22 to less than 24	22%
24 to less than 27	7%
27 to less than 30	1%
30 or more	2%
Computer experience (N=376)	
When asked to rate their computer experience from 0 (No experience at all) to 5 (Average experience) to 10 (Very High experience)	
Extensive (7 to 10)	42.55%
Moderate (4 to 6)	53.46%
Minimum (0 to 3)	3.99%
Average = 6.21 Standard Deviation = 1.67	
Number of previous online courses taken (N=376)	
Average = 2.31 Standard Deviation =1.39	
Number of university credits completed prior to the course	
Less than 6 credits	1%
Between 7 and 12 credits	11%
Between 13 and 29	42%
Between 30 and 44	27%
More than 45 credits	18%

Understanding of Definition

To ensure that students understood the definition of communication provided above, they were asked to rate their understanding on a scale from 0 to 10, which resulted in 84.8% indicating they had an extensive understanding of the definition (See Table 2). The average of all students was a high 8.31 out of 10.

Table 2 LEVEL OF UNDERSTANDING OF DEFINITION (N=376)	
When asked to rate their level of understanding of the definition of Communication Skills from 0 (No understanding at all) to 5 (Average) to 10 (Very High understanding)	
Extensive (7 to 10)	84.8%
Moderate (4 to 6)	13.9%
Minimum (0 to 3)	1.3%
Average = 8.31 Standard Deviation = 1.71	

Student Perceptions of Communication Skills Acquisition

The Website Project produced the highest perception of the acquisition of communication skills, with 93% perceiving it as contributing to it moderately or a lot (See Table 3). Assignments were also high with 88%. For Discussion Cases, it was 75%. PowerPoint Notes, Discussion Board and Overall Platform were, 62%, 66%, and 60%, respectively. The Textbook and the Practice Quizzes were perceived as contributing little to this skill, 48% and 42%, respectively.

Table 3
STUDENT PERCEPTION OF SUPPORT FOR THE DEVELOPMENT OF COMMUNICATION SKILLS

Activities/Resources	*Mean	SD	N	A lot[3] (%)	Moderate (%)	Not at all[3] (%)	**Positive Impact (%)
Assignments	2.32	0.68	373	167	160	46	87.67
Discussion Board	1.88	0.73	375	81	168	126	66.40
Discussion Cases	2.05	0.74	373	110	171	92	75.34
Practice Quizzes	1.5	0.63	374	28	130	216	42.25
Website Project	2.57	0.62	375	241	108	26	93.07
Textbook	1.54	0.61	374	23	157	194	48.13
PowerPoint Notes	1.81	0.73	374	70	162	142	62.03
Overall Platform	1.77	0.72	377	64	164	149	60.48

Legend:
*The mean is calculated by assigning 3 to "A lot", 2 to "Moderate" and 1 to "Not at all".
** The Positive Impact corresponds to the combined percentage of "A lot" and "Moderate"

Communication Tools Used

Table 4 indicates that 80% of students made use of email to communicate with their fellow students. Sixty-five percent also made use of G Learning Campus, 57% also used Facebook, and 47% used Face-to-Face communication. Only 19% used phone calls, while only 5% used Text messaging, and 1% used Blogging or did not communicate. Three percent indicated they used other means of communication.

Table 4 COMMUNICATION TOOLS (N=377)	
Means	**%**
Email	80%
Facebook	57%
Phone calls	19%
Text messaging	5%
Blogging	1%
Face-to-Face	47%
G Learning Campus	65%
No communication	1%
Others	3%
Note: Students can indicate several means of communication	

CONCLUSION

Students had a better than average understanding of the definition provided of communication skills and perceived that the Website Project, Assignments, Discussion Cases, PowerPoint Notes, Discussion Board and Overall course management system contributed most to its acquisition, unlike the Textbook and Practice Quizzes which contributed minimally. Thankfully the Practice Quizzes were not perceived to contribute to communication skills development, hopefully indicating that students did not collaborate in that arena. The level of contribution perceived from the various activities and resources indicates that students felt the need to collaborate on these and sought ways of making connections offline.

Based on the predominant age group of the students in their 20's, their relative experience with computers and online courses, it is not surprising that students used outside means of communication with fellow students. What is surprising is that phone calls and text messaging were rarely used, instead favouring email above all else, followed by Facebook, G Learning Campus, and still, face-to-face communication.

Given the problem-solving nature of the course, this likely played a factor in the choice of communication media used, and in the perception of the contribution made by the activities and resources of the course to communication skills acquisition. These need to be delved into further in order to get a better understanding of the communication support that might be needed to be purposefully incorporated into online courses to enhance the learning experience and to mitigate the sense of isolation often associated with online course delivery. Results indicate that, in an online context, the human-to-human interaction might be as relevant as the human-computer interaction experience.

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EXPLORING THE LEGALITY OF THE LUCRATIVE WORLD OF FANTASY SPORTS

Debra D. Burke, Western Carolina University
Bobby Philip Meek, University of Arkansas
John M. Norwood, University of Arkansas

ABSTRACT

This paper explores the gambling activities arising from Fantasy Sports Leagues, in particular the laws associated with these activities, and the gambling behavior of college students within these leagues.

FANTASY SPORTS LEAGUES: GROWTH AND LEGALITY

Contrary to popular belief, Fantasy Football was not the first fantasy sport to be played. The first modern fantasy sport to be played was Fantasy Baseball, invented by a group of journalists who wanted to test each other's knowledge of sports in 1980. The league came to be called "The Rotisserie," and employed the same basic principles that comprise leagues today: a league commissioner, a group of participants (players), team names, the drafting of players, and a statistical scoring system. The basic principle behind the league was to create a system to gauge players' sports knowledge throughout the season. This league circulated throughout late 1980s via regional newspapers such as the L.A. Times, N.Y. Daily News and Chicago Sun- Times, prompting readers to create their own fantasy leagues (Holleman, 2006). Through the Internet, fantasy players were able to create leagues through online providers, further growing the industry.

While the rules of fantasy leagues can vary greatly, participants (players) generally are set up through an online provider via a league commissioner. Participants join the league and a draft is held prior to the commencement of the season. A league usually has anywhere from eight to sixteen teams. Typically, in season long fantasy, players will be assigned a draft pick and this will determine their order of choosing players. Teams then play each other head to head throughout the season. Each week they will submit their starting lineups, strategizing on what players to select for the week based on various factors: what team they are playing, the weather, injury status, etc. Each week the winner is determined by a scoring system that is determined by the player's performances for that week. Towards the end of the fantasy season, the top winning teams then go to a series of playoff games of single elimination. The winner of this playoff series is crowned the league champion. Today, there is nearly a fantasy league for every sport— Football, NBA, NASCAR, Golf, Hockey, and more. The growth of the industry has given way to additional services that players can use to gain an edge. Players can now insure their players through *fantasyplayerprotect.com*, give the league's prize money to *leaguesafe.com* for safekeeping, and seek advice from *rotowire.com*. If there's a dispute, no problem. Go to Sportsjudge.com "Where Fantasy League Disputes are Resolved" by real lawyers. FX has even created a comedy called *The League* that follows a group of friends throughout their fantasy season.

To keep things competitive, 46.9% of Fantasy Sports players pay league fees according to the Fantasy Sports Trade Association. For Fantasy Sports, the idea that the winner of a fantasy league will be the one with the most knowledge of sports gives credence to the idea that Fantasy Sports is a game of strategy, not a game of luck; this is also why current regulations in many states allow placing wagers in leagues as long as certain conditions are met. Over the past few years, fantasy sports have continued to evolve, with the largest growth coming from daily fantasy leagues. The most popular providers, "FanDuel" and "DraftKings" are revolutionizing fantasy sports. Unlike traditional fantasy leagues, daily leagues last a day or a week. They offer the same sports as traditional fantasy leagues but are governed by different rules. Rather than a typical draft where each player has to wait their turn to draft a player, in daily leagues you choose players based on a salary cap, meaning multiple participants in the league can have the same player. These leagues also differ in the number of entrants: there is no maximum number of players in a given contest; although, per regulations, the prize money must stay the same. Again, with the legalities of daily fantasy sports, providers claim that fantasy sports betting is a legal act because it is a game of skill, not covered by gambling laws. Fantasy sports have created a unique way of allowing people to watch their favorite sports. Professional leagues have benefitted from gambling because sports betting encourages people to follow sports and increases television ratings (Bernard, 2013).

Fantasy sports have experienced substantial growth in the number of users since 2003. The Fantasy Sports Trade Association (FSTA) estimates that 41.5 million people played fantasy sports in the USA and Canada in 2014, up from 500,000 in 1988 and 15.2 million in 2003, or an 11% compounded annual growth over the past twelve years. The FSTA estimates that roughly 46.9% of fantasy sports players spend $111 per 12-month period. Fantasy players are spending around 8.67 hours per week participating in fantasy sports and 30% of players are using additional websites to obtain information, spending $656 million a year for informational materials. This usage suggests that players are doing their due diligence to formulate a strategy for their fantasy teams, enhancing the idea that fantasy sports is a game of skill and not gambling based on chance.

According to Zack's Equity Research, the largest providers of traditional fantasy sports are Yahoo (18%), ESPN (13%), and CBS Sports (7%). These providers offer free to play leagues or paid leagues with prizes, provided you are a resident of certain states. For example, CBS offers five different fantasy leagues with various entry fees and prizes. ESPN and Yahoo offer similar paid leagues, both public and private, with cash prizes as well as gift cards in the case of ESPN.

While the traditional fantasy leagues predominately have been seen as a hobby, not a means of making money, the daily leagues have attracted a market segment that is looking to test their knowledge for big money. Relatively new, the daily leagues have created the easiest way for fantasy players to make large amounts of money in a week. FanDuel raised $88 million in equity with a business model based on fantasy sport wagers. These daily sports sites take in entry fees, give out prizes, and keep the excess as earnings. FanDuel has gone from $1,356,459 and 3,158 participants in the first quarter of 2011 to $370 million and 1 million participates in the fourth quarter of 2014, roughly a 42% compounded annual growth rate per quarter since 2011.

FanDuel has paid out $600 million to date and currently offers 30 thousand daily leagues with $20 million in weekly contest payouts. While DraftKings does not disclose their financial data, they assert on their website that there will be "over 1 billion guaranteed in prizes this year."

What is even more impressive about these daily leagues are the massive tournaments that they host. DraftKings is hosting a $2 million Fantasy Basketball World Championship in 2015, while FanDuel hosted a $10 million fantasy football tournament with a $2 million first prize in Las Vegas. In order to win the big prize money, participants in daily leagues can pay an entry fee ranging from 25 cents to $5,000. Because of regulations, the prizes for these tournaments are not based on the dollar value of the entry fees or number of participants that have entered.

These daily leagues are being seen as the future of the fantasy sports industry and large providers are recognizing their impact. FanDuel and DraftKings have seen equity investments from traditional fantasy sports providers, receiving capital from ESPN, Yahoo, and NBC. They are also lobbying NFL and NBA teams for sponsorships. For example, the Los Angeles Clippers have announced a partnership with DraftKings to help with "engaging our fan base through this new partnership." FanDuel has seen partnerships with the Brooklyn Nets, Chicago Bulls, Dallas Mavericks, New York Knicks, and the Orlando Magic.

When selecting which daily site to use, 48% of players go with the site they trust. This explains why FanDuel and DraftKings continually stress their legitimacy through advertising. DraftKings homepage declares: "DraftKings is based in the USA and is 100% legal" along with "safe 100% secure" and "as featured in… The Wall Street Journal, the Boston Globe, Forbes." Because daily fantasy sports is a new thing, the daily leagues are spending massive amounts on advertising to establish their legitimacy. FanDuel employs testimonials of various participants to enhance the idea that it is a way for the average person to win money playing fantasy sports. Both DraftKings and FanDuel continuously offer deals to attract customers and increase their market share. DraftKings offers a "Plus 100% deposit bonus" and FanDuel offers a "Money Back guarantee. Love it after your first league or your money back."

The main question that comes to mind with these massive payouts on daily sports, as well as the entry fees in the traditional leagues, is whether or not the wagers are legal. The Unlawful Internet Gambling Enforcement Act is what gave rise to the legitimacy of paid fantasy leagues. For fantasy providers' paid leagues to remain legal, they will need to meet three specific requirements of the UIGEA: Providers need to ensure that their fantasy league prizes are determined before the games and not determined by the fees collected; they need to ensure that there is a method of assessing the knowledge and skills of the players that is determined by a scoring system that spans multiple events; and the providers need to create a way to ensure that the winning outcome of a league is not based on the score of any one team or a single athlete.

While a fantasy league may pass the requirements of the UIGEA, it still must consider applicable state regulations, as the UIGEA declares it illegal for a fantasy provider to accept any financial instrument from unlawful internet gambling as defined by state law. States vary on what they consider gambling, but three elements are common amongst all states: consideration, reward, and chance. In terms of gambling, consideration can be taken as providing something of value for the chance of greater winnings. Reward can be interpreted as the prize from winning a bet. The third element, chance, is something that happens unpredictably. Chance is the main issue to consider when determining whether or not paid leagues are illegal in a state. Most states use the predominance test, which declares an activity to satisfy the chance requirement if it is predominately based on chance (more than 50%). In these states, it is necessary for providers to provide factual evidence that fantasy sports is a game of skill, not chance. In states that use a different test for chance, or any of the other elements, fantasy providers must carefully review statutes to determine whether or not they could be subject to litigation.

FANTASY SPORTS AND COLLEGE STUDENTS

The continued viability of fantasy sports, particularly the daily leagues, may well depend on whether or not state officials are willing to prosecute the fantasy sport companies, whether or not the leagues can lobby for favorable regulations and whether or not the leagues can incite their participants to petition their lawmakers to keep the games legal and accessible. Some commentators argue for more federal regulations and a licensing scheme for online fantasy sports leagues to protect participants from fraud and assure players of legitimacy (Lee, 2008-09).

As the recent actions by the attorney General in New York and the Gaming Board in Nevada demonstrate, more states officials are questioning the need for increasing regulatory control (Heitner, 2015). For example, the Massachusetts State Attorney General recently proposed regulations to prohibit people under the age of twenty-one from playing paid fantasy sports games, as well as to ban fantasy competitions based on college sports, prohibit promotions of paid fantasy sports on high school and college campuses and bar professional athletes, agents and others connected to pro sports from taking part in paid fantasy contests related to their sports. Opponents of college fantasy sports argue that it commercially exploits student-athletes (Gerton, 2009).

To better understand the mentality of fantasy sports participants in that age group, college students at the University of Arkansas were surveyed. Although none of the providers restrict residents of Arkansas, the state statute is extremely broad, providing that “If a person bets any money or any valuable thing on any game of hazard or skill, upon conviction he or she is guilty of a violation and shall be fined in any sum not less than ten dollars nor more than twenty five dollars” (Ark. Code § 5-66-113 (2015)). Years ago the Arkansas Supreme Court stated that “the rising of money, between two or more persons, on a contest or chance of any kind, where one must be the loser and the other the gainer” constitutes gambling (Portis v. State, 362 (1872)). Presumably because gambling is illegal in the state, a game that involves a “chance of any kind” would also be illegal; thus, fantasy sports leagues with entry fees should be illegal. Further, under Arkansas law a losing party in a gambling transaction may recover his or her loss, provided such person files suit within 90 days after the paying of the money or property lost (Arkansas Code § 16-118-103). Since traditional leagues last longer than 90 days, the ability of fantasy participants to recover their entry fees is problematic at best.

The Qualtrics™ survey was sent through the Walton College of Business Listserv at the University of Arkansas and reported 313 responses. A breakdown of the students surveyed reveals that the majority of participants were male (57%), while the class ranking was somewhat evenly spread. When asked: “How often do you gamble on a sporting event,” the majority of the participants responded never (65%). Eighty-two percent of people who never gambled did not participate in a fantasy league this past season. Of those who reported some gambling, 77% participated in a fantasy sports league over last season. Regarding gender, 93% of females did not participate in a fantasy sports league this past season and 88% said they never gamble on a sporting event. The majority of respondents reported playing fantasy football (94%). Respondents also reported playing fantasy basketball (21%) and baseball (14%). Other fantasy sports respondents reported playing less often were soccer, women’s tennis, women’s badminton, hockey, and golf. ESPN was a dominant favorite as a provider with 79% of students saying they had an ESPN league; Yahoo was a distant second. Eleven and five percent of respondents used daily leagues FanDuel and DraftKings, respectively.

Of the 122 students that reported playing fantasy sports, 53% said there was an entrance fee for the league. The majority of these students reported an entrance fee of $10-49. Eleven percent of students reported spending over $100 on their entrance fees. When asked if they would consider the entrance fee a gamble, 74% said yes while 26% said no. This result suggests that while participants may consider fantasy sports a game of skill, they also recognize that there is still some chance element of fantasy sports leagues and that it would constitute a gambling activity.

In sum, several observations may be made about college students and their fantasy sports behavior. The majority of students surveyed that said they participated in a fantasy league were male. Students that report some gambling are far more likely to participate in a fantasy league as well. Surprisingly, 65% of students said they never gamble on a sporting event and very few said they gamble multiple times a week. On the other hand, 63% of males said they participated in a fantasy sports league this past season and yet 47% said they never gamble on a sporting event. Fifty-three percent of respondents reported paying an entrance fee for a league, with some paying over $100. What is interesting is that of those students who said that they never gambled on a sporting event, 27% said they paid an entry fee for a fantasy league, implying that they do not think fantasy leagues count as wagering. Thus, many students did not consider their entry fees to be a gambling activity, which is the impression fantasy sports providers want to convey.

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OPEN STANDARDS AND LICENSE CHOICE IN OPEN SOURCE SOFTWARE

Shuo Chen, State University of New York at Geneseo

ABSTRACT

Open standards are important in markets for Internet technology to ensure interoperability of software components across the Internet. Many applications of the Internet technology experience network effects. Owners of open source software may benefit from network effects and influence future standards development through their license choice. This study analyzes the data of 118 open source software projects that develop Internet technology to explore the relationship between the consideration of standards and the license choice made by software owners. Results of the statistical analysis show that programmers devote more efforts to Internet projects using nonrestrictive licenses due to the importance of network effects and standards development in Internet technology. Further investigation of a larger sample of all open source software projects shows that projects with the topic of Internet are more likely to choose nonrestrictive licenses than the restrictive ones.

E-GIRL COOKIES: THE E-BUSINESS REVOLUTION

Emily Chen, Purdue University Calumet
Kuan-Chou Chen, Purdue University Calumet
Keh-Wen "Carin" Chuang, Purdue University Calumet

ABSTRACT

Since 1912, many young, American girls have had some affiliation with the not-for-profit organization Girl Scouts. Juliette "Daisy" Gordon Low started Girl Scouts as an opportunity for young women "to develop physically, mentally, and spiritually" (Girl Scouts). As females in an oppressed time, Daisy's dream was to educate them of activities outside of the home. She wanted to create an empowering environment with character building activities and promoting altruistic behavior. Now over 100 years later, Daisy's dream still continues as there are 2.8 million (Girl Scouts) Girl Scouts today.

Young women are not the only ones affiliated with the Girl Scouts, but also millions of Americans due to Girl Scout cookies. According to NBC news (McHenry & Lubin, 2011), about 200 million boxes of cookies are sold each year bringing in a revenue of about $700 million dollars. The selling of Girl Scout cookies was first started with a troop in Oregon in 1917. A bake sale was set up to help raise money to fund the troop's activities. It all began with a simple sugar cookie. Now there are 12 different flavors available depending on location. Within 40 years, Girl Scout cookies spread drastically throughout the United States and became a commercialized product. By the 1980s, Keebler partnered up with the Girl Scouts to be one of the few licensed producers of these famous cookies (McHenry & Lubin, 2011).

Traditionally, the scouts would go door-to-door asking neighbors if they would like to purchase any cookies to benefit their troop. Despite the Girl Scout's principle of using cookie sales as an opportunity for the scout to develop sales and marketing skills, many parents would often mass contact family members or co-workers asking if anyone would like to purchase any cookies. Although the Girl Scouts have a classic brand, the organization has moved with the times to optimize its cookie sales. Recently, the Girl Scouts have developed the "Digital Cookie" which is a customizable website that will handle all the scout's cookie sale transactions (in select participating councils).

The business world nowadays continues to shift online as e-business continues to become more important within business's marketing strategies. This shift in strategy suggests that online selling is quickly becoming the better way for businesses to promote their products. However, traditional girls scout selling methods such as fund raising effort at school, family and friends personally knowing, as well as cute young girls door-to-door selling have proven time and time again that they still have their place within business and hold many advantages over online selling. In this paper we analyze the immersion of the Girl Scouts organization into the e-business world. How this immersion will affect the organization's values and projected cookie sales?

REPRODUCIBLE RESEARCH: THE WHAT, THE WHY, AND THE HOW?

Khalid M. Dubas, University of Mount Olive, NC

ABSTRACT

This study describes reproducible research, discusses the need for reproducible research and lists the steps that are required for generating reproducible research. The main ideas revolve around generating scientific knowledge that is public, verifiable, valid, replicable, and cumulative. A study that is not replicable by independent researchers does not contribute to scientific knowledge. We provide a checklist for generating reproducible research and indicate that for a study to be reproducible, its purpose, methodology, data, algorithm, code, and results should be publicly available to everyone.

The importance of sharing the algorithm, code, data, and detailed research methodology cannot be over emphasized. Further, the software that is utilized should be open source so others could access and utilize it to replicate and extend or refute a study. We illustrate reproducible research by utilizing R, an open source software, and a dataset to demonstrate how researchers can utilize RMarkdown, a simple markup language that combines the narrative, code, and data analysis in one source document. Running RMarkdown source document produces an output document in Word, PDF, or HTML format. Such an RMarkdown source document is also called a dynamic document since it can be modified quickly to reproduce output document. The modification may be due to changes in data, code, or statistical analysis. This method also minimizes errors that can occur when the researcher uses cut and paste to embed results of statistical analysis into a separate report using the traditional method of research.

WHO OWNS WHOM?

P. Michael McCullough, University of Tennessee - Martin

ABSTRACT

Employees are often said to feel "ownership" of their work, a term which might be seen as ironic given the history of corporate "ownership" of employees. This paper explores a little of this history of corporate oppression of workers and winds up by glimpsing possible futures.

OWNERSHIP

Psychological ownership has been discussed in the organizational literature (Pierce, Kostova and Dirks, (2001), that is, the sense of "ownership" developed by individuals for the company for which they work; as if that were the only type of ownership occurring in the modern workplace. What the article does not explore is the opposite notion: the tendency for those in control of organizations to see themselves as owners of employees. This alternative notion of workplace ownership has been dominant for decades, but for various reasons, may not last much longer.

When an organization hires a person to perform a job, the person signs away a large percentage of his or her time, expertise and energy; becomes something akin to the property of the organization, the human-resource counterpart to other items of inventory. When a pharmaceutical scientist invents a new pill for a giant corporation, the distinction of inventor goes to the organization itself (Mueller & Dyerson, 1999).

How can an organization own a person's ideas, unless it owns the person? But then, how can an organization own a person, right? Actually, organizations have long owned the people who work for them. The association has been described as employer-employee, principal-agent, boss-hired hand, supervisor-subordinate. In the historical case of mill towns in the mining and textile industries, it could be argued that the companies owned not only those who worked for them, but entire families, even unborn children. In our modern era, employees are still not free agents. On the continuum from slave to free agent, most people in democratic, capitalistic societies are clearly somewhere in the middle, at times closer to slave and at others, closer to free agent (Pescosolido & Rubin, 2000).

But, you say, people are paid for their services, for their commitment to the organization. How is that different from saying they have sold part or in some cases almost all of themselves to the company? It is only a matter of semantics. As long as the organization to which a person has sold him or herself, in part or in whole, operates in that person's best interest, there is no problem, but in the case where the organization buys part of the person and proceeds to violate that part of the person, we most definitely have a moral issue, if not a legal one. Consider the following recent cases:

"Scuba diving" for apples leads to death and manslaughter conviction

The manager of a fruit farm in Hampshire was convicted of gross negligence manslaughter after the deaths, in February 2013, of two workers sent into a nitrogen gas-filled container to retrieve apples while holding their breath. Although on holiday at the time, Andrew Stocker had allowed and encouraged the practice of 'scuba diving' over several years, despite it being in breach of the company's safety policy, as a way of gathering the best fruit samples for an agricultural competition. The men suffocated after entering the sealed container through a hatch without breathing apparatus while the atmosphere still contained only 1% oxygen, rather than waiting for the container to be fully vented or by following accepted industry practice by using a net to hook out the fruit.

Mud slide death leads to manslaughter conviction

The owner and project manager of a Fremont-based construction company were each convicted of involuntary manslaughter Tuesday in connection with the cave-in death of a worker at a Milpitas home-build site in 2012, the Santa Clara County District Attorney's Office said. Authorities contended U.S. Sino Investment Inc. owner Richard Liu, 53, formerly of Fremont; and project manager Dan Luo, 36, of Fremont, were criminally negligent when they went forward with the construction of a home on Calaveras Ridge Drive in defiance of a stop-work order spurred by an unfortified 12-foot-tall dirt wall piled from excavating a hillside.

One of those piles collapsed Jan. 28, 2012, after a downpour and buried Raul Zapata Mercado, 36, of Zacatecas, Mexico, a worker who had been on the project for just over a week. Three days before Zapata died, a city building inspector issued a stop-work order because of concerns the unfortified dirt wall was prone to collapse. But Porter said Liu and Luo were driven to stay on schedule by pressure to retain their client, who had committed $700,000 for a dream home, and keep the money flowing.

After a subcontractor walked off the job for lack of payment, and the warning from the city, work continued, leading to Zapata's death. "They gambled that they could get it built before it could fall," Porter said. "They gambled with his life."

Am I more concerned with the organization's violation of the individual than I am the individual employee's tendency to be disloyal or disruptive to the organization? I am, and it is because of the relative power distance between the two. When entire families were owned by mining companies or by textile mills, who was more likely to exploit and who most likely to be exploited? People who worked in company towns did not even have discursive control over their own perceptions of their relationship to the company (Steinberg, 1999). That is, the company could always trump their claims of injustice by reminding them, and anyone else interested, that if it were not for the company, the employee would not have a place to live or a place to buy their groceries and so on. The situation only changes by a matter of a few degrees when you consider the unbalanced nature of loyalty expectations in most work arrangements - employment-at-will arrangements.

It is offensive to compare modern employment to slavery, just as it would be offensive to compare the "plight" of the heir of a great fortune to that of the offspring of a homeless couple. But it does not seem entirely wrong to claim that even free-agency employment is in the same sphere of life as slavery or conscription. They both have to do with one's relinquishment of self in whole or part to what is most often a more powerful, external force, the institution that employs them. To varying degrees we all become agents to principals, and in some instances we are able to serve as both agent and principal at the same time. If I own a Wendy's franchise, I obligate myself as agent to the principal Wendy's corporation, while at the same time I may be the principal to a number of employees, who are "agents of mine".

The reason I am framing employment as a matter of one person being somehow owned by another, is to argue that when the "owner" is relatively powerful over the life outcomes of the person he or she "owns," the relationship becomes fertile ground for exploitation and abuse. Does it always happen? No. Is it always avoidable? Clearly not.

To tie this argument to our discussion of various forms of rights, the individual who is playing the role of agent is, all other things being equal, more likely to give up rights than he or she is apt to limit the rights of the principal. The agent gives up power (rights) over his or her life in terms of time, energy, expertise, alternative means of income, in exchange for remuneration.

Mayer (2000) argues that individual agents have no right to workplace democracy. The only right the agent has is to sufficient power to maintain a balanced relationship with the principal, in terms of being able to demand that the remuneration he or she gets from the principal will be commensurate with the value of his or her efforts as an agent. Notice though that in the absence of labor-market forces, unions, or a clear imbalance in favor of the agent in the relationship (such as a labor market where suitable qualified employees are difficult to find), the principal will always be at a distinct advantage.

We have witnessed an economy where wage income has stagnated for forty years. “Until 1975, wages nearly always accounted for more than 50 percent of the nation’s G.D.P., but last year wages fell to a record low of 43.5 percent. Since 2001, when the wage share was 49 percent, there has been a steep slide.” [quote from NY Times Sunday Review, January 13, 2013]

while employment levels have been up and down like a yo yo, which seems to indicate that in the current economy, wages are only loosely connected to employment levels, if they are at all. Individual agents have always suffered from the fact that some if not most of their “employment alternatives” were mythical, that is, their mobility is often effectively blocked (by geography, transportation, information about the jobs, etc) from finding and applying for every job for which they might be qualified. In an economy where wages appear to not be tied to employment levels, it is not just individual agents who are at a disadvantage, but it could be argued that all or almost all agents are in a position to be exploited by principals.

The types of potential exploitation to which I am referring includes: limited commitment from the employer to the individual’s career, abandonment of entire communities of employees for “cheaper” communities (e.g. Michigan for Mexico or Mexico for Thailand), or simply wages too low for people to actually live on. While it may be argued that workers do not have a right to workplace democracy, can it also be argued that they do not have a right to fair remuneration for the parts of themselves they are “selling” to the employer, or a right to consider the employment contract to be at least in part based on their ability, good will and good effort?

IS HELP ON THE WAY?

Is help for the worker on the way? Are Uber and “gigs” [working gigs rather than jobs] the future of work? Forces from both the worker and employer side are working to make this increasingly likely. Many people are tired of being “owned” by an employer, of being a “human resource.” And of course, increasingly, corporations are relegating permanent, full-time employees into part-time, temporary-worker status, to save money (Mishel, 2015).

Mishel (2015) argues that the gig economy is inconsequential and should not be the real concern of economists of the American workforce. Rather, he believes the concern should be the stagnation of wages and the loss of benefits that is heavily driven by the shift to contingent labor or to the “gig” economy. However, The National Association of Part-Time and Temporary Employees [http://napte.tripod.com/] and similar organizations, represent another possible twist to the story. Just as we may be entering the era of a different sort of job for workers, we may be entering the era of a different sort of union, one which in a sense, takes over the human resource part of the former corporation, freeing the worker to concentrate on securing gigs or longer-term part-time work.

GLOBAL PICTURE

Human and labor rights issues tend to get blended in multinational corporations MNCs. The typical MNC starts in one nation and spreads to others in search of lower wage rates (wage rates and wage costs are separate issues, with wage costs taking into account the expense of training and acculturating foreign associates into the MNCs). A typical first option is to find global low-cost suppliers. Historically (from the early 1990s) the geographical search, at least for most US-based MNCs, began in Mexico or the Dominican Republic and ended in China (Santoro, 2003), in a search for ever-lower wage costs.

After a few months of happiness that the Hong Kong or Chinese supplier is shipping suitable product and on time, the MNCs are typically "surprised" (in the early days the surprise was genuine) to learn that the factories turning out the products they are buying are paying less than the locally legal amount, providing few or no breaks, employing children, and forcing workers to produce under hot and often dangerous conditions. The worst part of their discovery of these conditions is that it is almost always pointed out to them by reports from non-government organization watchdog groups who have given their findings to a major newspaper or magazine. In the now long-ago case of Kathy Lee Gifford's problems with her line of clothing, the NGO involved was the US-based National Labor Committee, whose name sounds like a government agency, although it is not.

The next usual step is for the MNC to hire auditors of the factories involved and typically, after a year or so, the auditors will report that some of the factories have complied, but not all, and at that point, those not complying will be dropped from the list of suppliers. The MNC then finds suppliers to replace those dropped. At this point, the NGOs tend to become more aggressive, finding fault with the MNCs auditors as not independent, of doing announced inspections which can be easily prepared for, and generally being less than effective in ferreting out child labor and sweatshop conditions.

Thus a new round of stories hits the press and the company now officially has an image problem (Santoro, 2003). Students on campuses start boycotting products, the heat is turned up on the MNC, and it must make a decision about how to proceed. Usually the company makes a decision to either simply continue with its stated codes of conduct and monitoring approach, or to become more independently aggressive in its efforts to clear its name. The former tends to not be effective enough.

Social Accountability International (SAI) is a global NGO modeled after the International Organization for Standardization (ISO, a global NGO designed to audit quality production practices), that works with MNCs to help them guarantee human rights are not be violated in the factories they are purchasing from. SAI hires independent auditors to audit and monitor: child labor, forced labor, health and safety, freedom of association, discrimination, disciplinary practices, working hours, management oversight, and compensation (including a living wage provision). SAI has monitored companies around the globe since its inception in 1997. Factories can become accredited by SAI on the above dimensions, the same way firms become ISO 9000 certified. SAIs certification is called SA8000.

The SA8000 standard limits work time to forty-eight hours of regular shifts and twelve hours of overtime per week [. In 2001, one Chinese shoe factory (supplier to New Balance, among other companies) was de-certified by SAI when it was found to be in violation of work hours, dormitory conditions (they had 28 people staying in one of their rooms), and it was found to be coaching employees to lie to SAI auditors (Santoro, 2003).

Notice that what we are seeing here is the combination of MNCs and global NGOs replacing the historic nation state as the guarantor of the rights of citizens (DeWinter, 2001). The United Nations and the US congress have been involved in advocating for human rights around the world since Eleanor Roosevelt first worked with the United Nations to write the UN's Universal Declaration of Human Rights in 1948. As the U.S. representative to the U.N Commission on human rights, Roosevelt went on to help draft two treaties, the International Covenant on Civil and Political Rights and the International Covenant on Economic and Social Rights, which along with the original U.N. declaration came to make up the International Bill of Rights (Galey, 1998).

The reason NGO/MNC cooperatives have taken over from the U.S. and U.N., is that the U.S. can never decide if it is behind such international agreements or not. In fact, the U.S. can never seem to cooperate for long at a time with much of what the United Nations views as appropriate, apparently out of fear for its overarching sovereignty among the world's nations. One presidential administration will be in favor and the next not, one congress will move toward more action and another will not. The greatest surge of U.S. executive and legislative support for International Human Rights came under the Carter administration in the mid to late 1970s (Galey, 1998).

POSSIBLE FUTURES

It is too early to tell what the ultimate effect will be of organizations such as SAI, FLA and USAS. The FLA (Fair Labor Association) "*whose formation was brokered by the Clinton administration and its Apparel Industry Partnership, and whose board includes the very corporations whose factories it is supposed to monitor. The FLAs premise is that corporations, labor and human rights supporters, and universities can collaborate constructively. It is governed by a board of directors that consists of six industry representatives, six representatives of labor and environmental groups, and a single representative of the more than one hundred affiliated universities (plus one executive director). The board works on the basis of a qualified majority rule principle that gives effective veto power to the industry representatives*," (Isaac & Featherstone, 2001, p. 1) may or may not be the type of organization capable of effecting major and lasting changes. USAS (United Students Against Sweatshops), has had some effect on Nike and other companies international purchasing practices, by getting universities to resist putting their logos on these company's products. Time will tell whether this movement is as radical and anti-corporate, as it at first appears to be, or whether it will ultimately be co-opted by MNCs, the World Trade Organization and the International Monetary Fund. Could it be that corporations themselves give way to another type of economy – gig or otherwise, before relenting in its efforts to ignore the associates on whose backs their profits are made?

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THE PSYCHOLOGICAL CONSEQUENCES OF BEING OUT OF THE GOSSIP LOOP

Jiunwen Wang, SIM University

ABSTRACT

Workplace ostracism, which is the extent to which individuals perceive that they are ignored or excluded by other employees in the workplace is a pervasive workplace phenomenon. Gossip is also one of the most pervasive activities within organizations. This paper examines a specific type of ostracism that has not been investigated previously. In particular, this paper examines the psychological impact of being out of the loop (being last to hear about gossip information). 2 experimental studies demonstrated that this specific form of ostracism such as being out of the loop led the socially excluded to feel more angry which then led them to be more inclined to take action. One study also demonstrated that being out of the loop led to more instrumental view of others. This research contributes to both the body of research on ostracism and gossip. First, it establishes being out of the loop as another form of ostracism and documents behavioral intentions following this form of exclusion. Second, it contributes to the research on gossip by highlighting how being last to know of gossip can lead to important psychological outcomes, such as anger, action orientation and instrumental view of others.

COMPETITIVE CURRENCY DEVALUATIONS, QANTITATIVE EASING AND VOLATILITY OF EXCHANGE RATES

Abraham Mulugetta, Ithaca College
Yuko Mulugetta, Ithaca College
Asrat Tessema, Eastern Michigan University

ABSTRACT

The pervasive quantitative easing, interest reductions and expansionary economic stimuli put into effect by advanced nations blunted the Great Recession and reverted the global economy decline. Since mid-2009, most industrialized, except some Eurozone, and Emerging Market Economies (EMEs) have registered growth, even if it is anemic by pre-Great Recession standard. Foreign capital inflow to emerging markets was one of the major drivers for strong performance of equity and currency markets of emerging economies during the latter part of the Great Recession. It is observed that with advanced economies providing powerful monetary stimulus to revive their sluggish economies and EMEs facing plethora of capital inflows amid strong recoveries, policy tensions arose between these two groups of economies. The reversal of capital inflow augmented by capital flights seems to have disrupted the equity and the currency markets of these nations, particularly that of Indonesia, India, Thailand, South Africa, Turkey, Argentina, Russia, Brazil among others. In fact, the May of 2013 statement by the Federal Reserve to taper the quantitative easing had destabilized the level of economic activity and growth prospect of most emerging countries.

This study argues that the tenuous parity relationships of exchange rates determinations that are entertained during normal economic conditions should be further tested in this unfolding economic environment. The enhanced volatility of exchange rates triggered by differing economic performance and relatively different economic tools used by different nations should make the determination of equilibrium exchange rates much more difficult. Our study, thus, examines the volatility of exchange rates before, during and post-recession, as measured by coefficient of variations, the unbiased relationships of forward and spot exchange rates including comparative stock market performance in connection to direct and indirect market interventions by the central banks among emerging countries as well as the US.

The study confirmed that the changes in exchange rates were more volatile during the Great recession in comparison to the pre- or post- recession periods for industrialized nations. As expected, the study found that the exchange rates were significantly more volatile for emerging nations. A repeat scenario of destabilization is unfolding on the expectation that the Fed will raise interest rate in December 2015 for the first time since 2006. This will be an interesting part of conclusive discussion for the action of the Fed will usher divergent monetary policy that impinges on relative value of currencies.

STRUCTURAL COMPARISON OF MANAGEMENT APSECTS OF COMMUNITY HEALTHCARE CENTRES IN EUROPE WITH SPECIAL FOCUS ON GERMANY

Dr. Fabian Renger, Community Health Center Consulting & Research
Prof. Dr. Attila Czirfusz, St. Elizabeth University Bratislava

Advances in pharmaceutical research and increased medical treatments allow individuals on a worldwide scale, especially in the developed countries to have a higher average life expectancy. Although positive individually, sets this phenomenon healthcare systems under enormous pressure to provide affordable and efficient healthcare for citizens in urban and rural areas as well. Beside central steered management undergoing's in central healthcare systems, decentralized approaches for inter-medical professional cooperation, here Community Healthcare Centers (CHC) promise to be more effective by utilizing systematic network effects. Within this article we try to compare CHC instances within the EU, with a special focus on the German instance of CHC, the MVZ, which seem to prove the expectancy of a higher individual management effectiveness by fostering the use of dashboards and KPI based scorecards.

INTRODUCTION

The provision of high quality health care at an affordable cost is a major challenge for health care systems all over the world. In many countries, the bulk of annual spending growth is due to increases in the prices of health care goods and services, and the availability of ever more new, often high-cost medical products and treatments. As a result, health care providers are facing ever greater pressure to reduce operational costs without affecting the level and quality of their services. In this context, hospitals are of particular interest as they make up the largest cost component in the health care system. Typically, all these health care resources are scarce and so the challenge lies in synchronizing their availability with the needs for care. Taking a broader context, logistics is also concerned with patient flows. Planning, coordinating, and controlling the resources involved in material as well as in patient flows are the functions performed by operations management (OM). Hence, similarly to industrial settings, logistics and OM are also two intertwined areas in a hospital, together, they account for a sizeable portion of a hospital's budget. In the area of information technology, focus has been given to the development of modern hospital information systems (HIS). These systems are designed to deal with all aspects of information processing in a hospital. In particular, they enable the collection, storage, management, and retrieval of data related to the clinical, administrative, and financial aspects of providing services within the hospital.

HEALTHCARE SYSTEMS

In most countries in the European Union, governments are responsible for health policy and legislation. Overall the government's plays supervisory roles among the numerous actors involved in health care, with several functions being shared with or delegated.

General Task, Bodies and Aims

1. Insurance provides free access to a package of services; services not included in this package may require
2. upfront payments by patients, or co-payments. Direct payments are also made when using benefits that are
3. not covered by the package or that are delivered through physicians not employed by the respective social
4. health insurance fund. Exemptions from co-payment exist for specific categories of patients (chronically ill, below a certain income level, etc.).

Provincial authorities are specifically responsible for the implementation of hospital care, the maintenance of hospital infrastructure, health promotion and prevention services; social welfare benefits and services are the responsibility of local governments (districts, statutory cities and municipalities). Access to health services is not regulated, in that patients are not obliged to enroll with one specific physician and physicians do not play a gate-keeping role. Patients may thus also access outpatient departments of hospitals without referral. Outpatient care is provided through physicians (some self-employed), outpatient clinics, privately owned or belonging to the social health insurance funds, other specialists and outpatient departments of hospitals. Physicians usually have a contract with the social health insurance funds.

Healthcare in the European Union

Different countries in the European Union have different system of healthcare services, examples are as outlined in the following countries diversified by size of members within the healthcare system.

Germany: Example Large Healthcare System

At the central level, the Federal Assembly, the Federal Council and the Federal Ministry of Health are responsible for legislative and supervisory functions. The federal legal framework regulates governance, services to be provided and the funding mechanisms of the health system. Policy-making for health care is shared between the federal government, the counties, and a large number of civil society organizations. These organizations are self-governing bodies representing the various existing sickness funds and the doctors' associations, i.e. the payers and the providers. The 16 counties are responsible for ensuring hospital care. In particular, the states' health care responsibilities include hospital planning, hospital financing investments, disease and drug abuse prevention, and vaccination. They are also responsible for medical education and for ensuring public health services such as the prevention of transmissible diseases or environmental hygiene, although these tasks have mostly been delegated to the local level (municipalities). Since 2009, health insurance has been mandatory. Individuals are covered by Statutory Health Insurance (SHI) on the basis of their income (some 88% of the population being covered by SHI). High earners may choose to be covered by Private Health Insurance (PHI), which also applies to civil servants and the self-employed (some 10% of the population being covered by PHI). Special regimes apply to other categories, such as soldiers and policemen. As at March 2010, insurance was provided by some 169 quasi-public sickness funds for SHI and 46 private insurance companies for PHI, though these numbers continuously change, the market being competitive.

Belgium: A Medium Sized Healthcare System

Health care is determined by three levels of government: the federal government, the federated authorities (three regions and three communities) and, to a minor extent, the local governments (provinces and municipalities). The division of responsibilities for health care reflects the structure of the country as, since the 1980s, some responsibilities have been devolved to the three communities (Flemish, French, and German). The federal level, through the Ministry of Social Affairs and Public Health, is responsible for the regulation and financing of compulsory health insurance, pharmaceutical policy and hospital legislation. Responsibilities of the federated authorities are mainly on 'health promotion and prevention; maternity and child health care and social services; different aspects of community care; coordination and collaboration in primary health care and palliative care; the implementation of accreditation standards and the determination of additional accreditation criteria; and the financing of hospital investment.' (Gerkens and Merkur, 2010).

Estonia: A Small Sized Healthcare System

The health care system is administered by the Ministry of Social Affairs. The organisational structure of the system consists of several bodies including, among others: various agencies under the Ministry for Social Affairs; the Estonian Health Insurance Fund (EHIF), as an independent, public legal entity; private primary care units and hospitals established as limited companies or foundations, but mostly owned or controlled through supervisory boards by local governments; and various non-governmental organizations and professional associations. Responsibilities for the financing and management of public health services are at the central level. The Ministry for Social Affairs, structured into four main departments (Health Care, Public Health, Health Information and Analysis and eHealth), is responsible for health and health care policy formulation, regulation, planning, and monitoring, as well as regulation and funding of ambulance services and emergency care services for uninsured people. The EHIF (Haigekassa) is accountable to the Ministry of Social Affairs through the chair of its Supervisory Board. At county level, county governments, representing the state regionally, are responsible for the planning, supervision and administration of primary care within the county.

DECENTRALIZED PRIVATE BODIES IN EU/GERMANY

Ownership in hospitals had co-shareholders, been open to governmental entities, not-for profit organizations (in particular church affiliated charities) and private or publicly listed for-profit investors. In order to slowly overcome the internationally strict separation between the inpatient and the outpatient sector and in order to open the latter for investors, a new legal form, the Medizinisches Versorgungszentrum ('MVZ') was introduced by the German legislator with effect as of 2004. MVZ are licensed outpatient medical service providers who may employ physicians and who may be owned by any person or entity entitled to render any (other) services or sell products within the SHI – such as hospitals but also physiotherapist service provider entities, medical appliance shops amongst other things. By 2010, approximately 1,500 MVZ had been established and 20 per cent of them were owned by others than doctors or hospitals. At the end of 2009, the then newly elected government aimed at prohibiting new MVZ being established unless doctors had a majority stake in them. Only hospitals had been envisaged to become an eligible co-owner but it was initially expected that they would be limited to a minority stake.

MANAGEMENT DIMENSIONS OF GERMAN CHC: MVZ

MVZs run by doctors will only show further clear growth in the individual form of branch MVZs or as an MVZ chain whereas individual MVZs run exclusively by doctors may possess fewer opportunities for influence. It has become clear in recent years from the developments in the healthcare sector that in Germany the MVZ has definitely achieved a certain status.

Figure 1
MEDICAL ACTORS WITHIN AN CHC/MVZ (OWN ILLUSTRATION)

The management of the MVZs varies between the three MVZ categories as follows: In the case of a usual MVZ partnership it is necessary for the lead doctor to have sufficient free time to keep up the management within the MVZ.

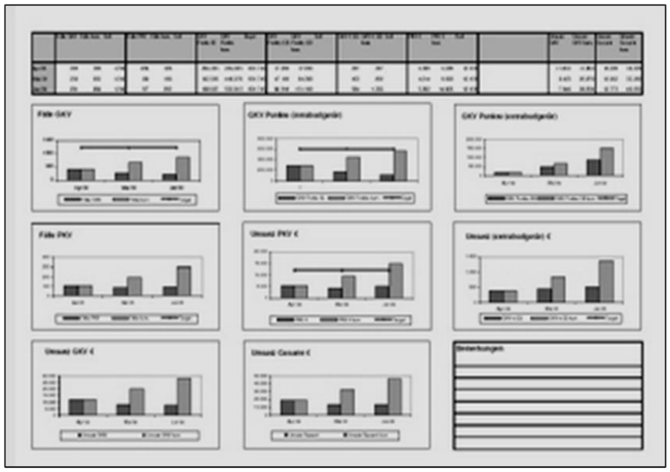
1. In the case of a usual MVZ partnership it is necessary for the lead doctor to have sufficient free time to keep up the management within the MVZ.
2. In the case of a usual MVZ company limited by shares it is important for the executive director to be able to carry out his management operations to the best of his ability, for example, by working with appropriate tools.
3. In the case of an MVZ corporation current management instruments such as, for example, in the case of business management operations, integrated management systems, are centralized for the board or the executive

The MVZ partnership has the important goal of offering the best care to patients and ensuring patient satisfaction with them. In the case of the MVZ Company limited by shares it is of great importance that it is able to fulfill its care responsibility.

CHC Related Business Processes And KPI Scorecards

There are very different approaches to how management is handled within MVZs. Depending on the category of MVZ, management will be based on the staff available and their qualifications and on the structure of the organization.

Figure 2
KPI Scrorecard As An Auxiliary To Steer (Baerwolf, 2010)



Even the legal form [in which the MVZ is established] consequently also affects the MVZ management structure. Taxation factors affecting the MVZ such as, for example, a potential local business tax or value added tax liability have an effect on the way an MVZ is directed, even where such perspectives are only partially expressed. KPI based scorecards as an auxiliary for the related business process can be used to support to steer the organisation operationally on figure oriented basis.

Cooperation Instead of Central Steering

Changes to the parameters underlying healthcare – such as, for example, social change, the break-up of traditional social and family networks, demographic developments, the altered range of illnesses, the heightened complexity of care, the limited financial and staffing resources and the changed attitudes of those within the profession and patients towards themselves – mean that new health concepts are necessary, as is an adjustment of the cooperation structures between the different health professions. In economically underdeveloped regions, in particular in the former East Germany, there are also bottlenecks evident in region wide outpatient care by doctors.

CONCLUSION

Community Healthcare Centers, as acting medical entities, positioned within the healthcare domain between an hospital and a doctors single practice seem to be an increased attractive organizational form within the EU, especially within the large healthcare system Germany (Here: the MVZ). Different Subject Matter Experts (SME), in the role of different medical experts, decentralized working in a single legal entity seems to mine special efficiencies based on their relative small structure. Although the management of these entities require a complete end-2-end management of processes, also covered by much larger healthcare entities, like hospitals. A strict operational business management, using current business process supporting IT systems seems to be relevant for the mid-term surviving of these organisations.

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RESOURCE-BASED VIEW OF CORPORATE SOCIAL RESPONSIBILITY AND CHINA'S HIGH-TECH INUSTRY

Nini Yang, San Francisco State University
Caran Colvin, San Francisco State University
Yim-Yu Wong, San Francisco State University

ABSTRACT

Using the intangible resource-competitive advantage argument, this article selects three types of intangible resources as CSR bases (innovation, human capital and ethical culture) for discussion and covers their specific internal and external benefits. CSR reports of Lenovo and Huawei, two world-renowned Chinese high-tech firms, are analyzed. Results reveal that human capital and ethical culture were emphasized in both companies while innovation was infused in other CSR areas, mainly in environmental performance. The study draws attention to some firm-industry specific CSR activities that were applied to supply chain management in both cases, linking CSR integration of suppliers to potential collectivistic values.

Keywords: Resource-based View, Corporate Social Responsibility, China, High-tech Industry, supply chain, collectivism

TAX PLANNING AND TAX PRACTICES

Theresa Tiggeman, University of the Incarnate Word
April Poe, University of the Incarnate Word

ABSTRACT

Some authors have referred to tax planning as glamorous, creative, exciting, and rewarding (Graham, Hanlon, Shevlin, & Shroff, 2014; Raabe, Whittenburg, Sanders, & Sawyers, 2012). However, creative and attractive tax planning may be, practitioners must adhere to legal means of tax reduction. Tax planning at the federal level is complex; however, state and local taxation brings a higher challenge for tax practices. Furthermore, tax planning cannot be done in a vacuum. Expert tax planning includes making a partnership and educating the client as there is no single plan that accommodates all situations. Moreover, clients need to consider the present value of tax planning. Compliance costs in the U.S. are an estimated $150 billion (Marcuss et al. 2013). Tax professionals must consider tax compliance simultaneously with planning, research, and litigation (Raabe et al. 2012). Tax planning has grown in relevance and importance as many clients conduct business in multiple taxation jurisdictions. The tax professional can no longer focus just on the federal results of a transaction as state and local taxes have become more important.

INTRODUCTION

Some authors have referred to tax planning as glamorous, creative, exciting, and rewarding (Graham, Hanlon, Shevlin, & Shroff, 2014; Raabe, Whittenburg, Sanders, & Sawyers, 2012). Professionals employ tax planning as a means to minimize tax issues and costs. Simply put, a working definition of tax planning "is a completely legal means for saving taxes" (Raabe et al. 2012, p. 414). Generally, tax planning revolves around open transactions (AICPA, 2003; Raabe et al. 2012). Open transactions consist of actions and considerations of events that have yet to occur or that have not been completed yet (AICPA, 2011; Raabe et al. 2012). Conversely, closed transactions have occurred, and limit the tax professional to determining presentations on tax returns, reports that assists the taxpayer, and additional filing or information reporting requirements (AICPA, 2011; Raabe et al., 2012). Therefore, only open transactions accrue benefits of creativity and control (Raabe et al. 2012). Creativity arises because tax planning involves many issues such as timing, characterization, and tax avoidance (Hoffman, Raabe, Maloney, Young, & Smith, 2015; Raabe et al. 2012; Rupert, Pope, & Anderson, 2015). Control stems from involving the client in planning for his or her financial goals (Raabe et al. 2012) and the ability to adjust anticipated steps to obtain better overall results, including tax minimization.

However, creative and attractive tax planning may be, practitioners must adhere to legal means of tax reduction. Professionals must distinguish between tax evasion and tax avoidance (Amadasun & Igbinosa, 2011; Hoffman et al. 2015; Karlin, 2009; Raabe et al. 2012; Rupert et al. 2015). Tax avoidance is the legal and proper minimization of taxes. Tax evasion, on the other hand, is overly aggressive tax manipulation and can result in criminal sanctions for both the taxpayer and tax preparer (Karlin, 2009; Raabe et al. 2012).

FEDERAL, STATE, AND LOCAL TAX PLANNING

Raabe, Whittenburg, Sanders and Sawyers (2012) stated, “there are over 7,500 different taxing jurisdictions in the United States” (p. 295). Moreover, Karlin (2009) noted, “state and local governments collect numerous other types of taxes such as property taxes, transfer taxes, and sales and use taxes” (p.415). Additionally, 40 states have a corporate taxation filing requirement (Rupert et al. 2015). To complicate matters, states with personal and corporate income taxes will sometimes, but not always, conform to the Internal Revenue Code (IRC) (Hellerstein, 2012; Karlin, 2009; Raabe et al. 2012). States that follow the IRC closely are said to piggyback on the Internal Revenue Code (Hoffman et al., 2015; Karlin, 2009; Raabe et al. 2012; Rueben, 2012). In any given year, even the states that typically piggyback on the federal law may have adjustments depending on whether they adopt federal changes that occur. Only seven states do not employ a state income tax at all (Raabe et al. 2012; Rupert et al. 2015). State taxation is a complex and increasingly difficult area of tax planning (Karlin, 2009).

In addition to state taxation, an increasing need for local taxation tax planning has arisen (Karlin, 2009; Raabe et al. 2012). States and local governments competing for businesses and job creation will promote low or no income tax and low property taxes to incoming businesses for a period of time (Karlin, 2009; Zheng & Warner, 2010). These considerations for tax planning become relevant when locating or relocating a business (Karlin, 2009; Rupert et al. 2015; Zheng & Warner, 2010). States have also increased their audit efforts as their budgets got stressed.

Generally, tax practitioners think of state law as stemming from the IRC (Karlin, 2009; Raabe et al. 2012; Rueben, 2012; Rupert et al. 2015). However, there are instances where state law dictates a federal taxation interpretation (Karlin, 2009; Knauer, 2014; Rupert et al. 2015). For example, the laws in community property states heavily influence tax planning (Karlin, 2009; Rupert et al. 2015). Federal taxation issues defer to state community property laws for some taxation interpretations (Karlin, 2009). For example, IRC Section 1014(b)(6) allows a step up in basis for property to market value for a surviving spouse in a community property state (Karlin, 2009). The married filing jointly filing status allows married couples in non-community property states to receive the same treatment as married couples in community property states. A recent court case, *U.S. v. Windsor*, led to the recognition for federal purposes by the Internal Revenue Service of same-sex marriages if the marriage took place in a state permitting such marriages (Internal Revenue Service, 2014b; Knauer, 2014). However, a problem occurs if the same-sex marriage takes place in a state that is not a state of residence (Knauer, 2014). The state of residence may not recognize the marriage for state taxation purposes (Knauer, 2014). The IRS employs a state of celebration rule that mandates legal same-sex marriages must file jointly or separately (Knauer, 2014). However, the state of residence rule precludes sharing in Social Security benefits (Knauer, 2014) which may result in the need for additional tax planning above what a traditional married couple may need. Obviously, Tax planning entails navigation of many diverse factors (Karlin, 2009; Knauer, 2014; Raabe et al. 2012; Rupert et al. 2015; Smith, Raabe, Maloney, & Young, 2014).

GOALS OF TAXPAYERS

“The goal of tax planning is to arrange…financial affairs…to minimize…taxes” (Perez, 2014, para. 1). According to Raabe et al. (2012) tax planning has as its overarching goal to provide for increasing and maintaining wealth of taxpayers by minimizing a taxation liability. The first and most important step in planning is to understand the taxpayer's goals (Raabe et al. 2012; Sanders, 2014). Types of tax planning goals include "avoiding recognition of taxable income, changing the timing of recognition…changing tax jurisdictions, changing the character of income, spreading income among related taxpayers" (Raabe et al. 2012, p. 416). Thus, professionals must consider many aspects such as reducing income, increasing deductions, and employing tax credits (Perez, 2014). Tax planning should be done with the client. A tax plan for one client may not necessarily be suitable for another client, even if both face a similar transaction. One major component of planning involves knowing the client's cash flow (Graham et al., 2014; Sanders, 2014). "Taxes are likely the largest expense…each year, yet the typical financial planner offers relatively little advice on this critical subject" (Downing Street Wealth Management, 2011, para. 1).

PRESENT VALUE

Present value refers to the time value of money. The concept is that a dollar today is worth more than a dollar in the future. Raabe et al. (2012) explained, "planning behavior is designed to reduce the net present value of the tax liability, which is not the same as a simple reduction in taxes" (p. 408). The concepts underlying time value of money include rates, dollar amounts, and time. The rate, or discount rate, is often the firm's reinvestment rate or a risk-free bond rate. Present value considerations center on after-tax cash flows (De Waegenaere & Wielhouwer, 2011).

EXAMPLES OF PROPORTIONAL, PROGRESSIVE, AND REGRESSIVE TAX STRUCTURES

Major classifications of types of tax rates include proportional, progressive, and regressive (Raabe et al. 2012; Rupert et al. 2015). Proportional rates, or flat rates, remain the same for all levels of income or tax base (Raabe et al. 2012; Rupert et al. 2015). Examples of proportional taxes include "real estate taxes, state and local sales taxes, personal property taxes, customs duties, and excise taxes" (Rupert et al. 2015, p. 1-4). For progressive tax rates, as income increases, so do the rates (Raabe et al. 2012; Rupert et al. 2015). The income tax is considered a progressive tax. Here, each income tax bracket has its own tax rate, and as a taxpayer moves into higher brackets, the rates increase for the new bracket amount (Raabe et al. 2012; Rupert et al. 2015). Regressive tax rates grow smaller as income increases (Raabe et al. 2012; Rupert et al. 2015). Because social security taxes do not apply to wages above a certain threshold, this tax could qualify as regressive (Raabe et al. 2012; Rupert et al. 2015). A regressive tax structure "causes lower-income people to pay a larger share of their income than wealthier people pay. Though true regressive taxes are not used as income taxes, they are used as taxes on tobacco, alcohol, gasoline, jewelry, perfume, and travel" (Internal Revenue Service, 2014a, para. 1). Tax professionals need to consider different taxes and rate structures when they are putting together a plan for a client.

PLANNING, COMPLIANCE, RESEARCH, AND LITIGATION

Tax compliance includes tax research, tax planning, and tax litigation (Raabe et al. 2012).

To some degree, all the time and effort by tax professionals entail tax compliance which encompasses complying with the law by filing forms, etc. (Raabe et al. 2012). Tax planning is the next most time consuming part of a tax practice (Raabe et al. 2012). Tax planning is a subset of tax research (Raabe et al. 2012). (Raabe et al. 2012) suggest educating the taxpayer or client to assist in tax planning opportunities so that the tax professional has an opportunity to influence the structure of transactions before the transactions are completed.

Tax research is a process where answers sometimes beget more issues (Karlin, 2009; Raabe et al. 2012). Tax research begins with an issue, and establishes pertinent facts (Karlin, 2009; Raabe et al. 2012). The tax professional then finds and evaluates relevant tax authority (Karlin, 2009; Raabe et al. 2012). At the end of the process, the professional formulates conclusions and recommendations, which he or she communicates to the client (Karlin, 2009; Raabe et al. 2012).

Complexity of taxation in the United States causes compliance problems and more reliance on tax professionals (Marcuss et al. 2013). Compliance costs in the U.S. are an estimated $150 billion (Marcuss et al. 2013). Tax professionals must consider tax compliance simultaneously with planning, research, and litigation (Raabe et al. 2012). If the IRS does not agree with a position taken on a tax return, then the client may resort to litigation. Generally, tax litigation occurs with an attorney specialized in tax matters (Metcalf & Prosser, 2014; Raabe et al. 2012). As with many decisions, cost/benefit analysis should be performed. Tax practitioners need to consider the costs of litigation against the costs of tax liability (Metcalf & Prosser, 2014).

CONCLUSION

Tax planning has grown in relevance and importance as many clients conduct business in multiple taxation jurisdictions. The tax professional can no longer focus just on the federal results of a transaction as state and local taxes have become more important. When the tax professional is involved before a transaction is closed, the professional has the best opportunity to help the client get the desired results while minimizing taxes. Getting the opportunity to assist a client requires knowledge and experience in tax planning as well as a client educated as to when to call for help. Tax minimization is a legitimate goal of tax planning while tax evasion is an illegal method of cheating on taxes.

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THE FINANCING ALTERNATIVE: PEER-TO-PEER LENDING CASE STUDY

Keh-Wen "Carin" Chuang, Purdue University Calumet
Songtao Mo, Purdue University Calumet
Kuan-Chou Chen, Purdue University Calumet
Chen Ye, Purdue University Calumet

ABSTRACT

This case examines the development and role of Online Peer-to-Peer (P2P) Lending in the financial industry in general and in the online lender in particular. A case study of Lendingclub Corporation is demonstrated to explore the online lending development. This new form of connecting supply and demand for funds has experienced considerable growth since 2005. Founded in 2007, Lendingclub Corporation is one of these P2P lending platforms that attract numerous lenders seeking high returns, and borrowers in need of capital but are unable to be financed via traditional channels. In December 2014, Lendingclub (Ticker: LC, Lending Club thereafter) launched its Initial Public Offering (IPO) at the New York Stock Exchange (NYSE). All public companies are subject to the scrutiny of the Securities Exchange Commission (SEC). Thus the corporate filings of Lending Club have become an important source for lenders (investors) to make informed lending (investment) decisions. This teaching case is intended for use in accounting or finance graduate courses. The primary objective is to expose students to the recent developments in the financial industry, and to encourage students to conduct research beyond textbook to stimulate critical thinking.

WHITE COUNTY, POWELL VALLEY, AND THE CASE OF THE MISGUIDED CHIEF EXECUTIVE OFFICER

Raymond J. Elson, Valdosta State University
Kelly F. Gamble, Valdosta State University

CASE SYNOPSIS

The case concerns a charismatic and energetic chief executive officer who was employed at health care facilities in Indiana and Wyoming for approximately six years and six months respectively. With the aid of a childhood friend and a related entity, Plake and Associates, he created fraudulent billing schemes in which the hospitals were billed for approximately $1.7million. The fees were paid for the purpose of recruiting physicians and other staff. However, the two men shared the fees on a 75%/25% basis without performing any services. The case demonstrates the challenges faced by community-based health care systems when authority is delegated to the chief executive officer, and the organization's corporate governance structure (i.e., board of directors) is overly reliant on the integrity of that individual.

CJ FRESHWAY CASE

Seungyeon Lee, Ewha School of Business, Ewha Womans University
Yewon Lee, English Language and Literature, Ewha Womans University
Seungho Choi, Ewha School of Business, Ewha Womans University

ABSTRACT

CJ Freshway is the first large company to enter the food distribution business. They cover a wide range of the food distribution business in Korea. With the reputation of its parent company CJ Group in Korea, they could attract a number of customers, who are restaurant owners and franchise restaurant brands. CJ Freshway formed joint ventures called Freshone with small-medium sized food ingredients distributors by obtaining 51% or more of total share. Attracting more local distributors to join Freshone is vital for CJ Freshway to expand the business and get competitive advantage. Through joint venture, CJ Freshway could leverage the tacit knowledge and networks of the local distributors. Also, CJ Freshway could respond to the social atmosphere that requires coexistence with small businesses. By joining Freshone, distributors can secure stable income and shorten the distribution process with the advantage of CJ Freshway's system. However, CJ Freshway's market share is only between 2-3% in the B2B section of food distribution industry. They are still the market leader, yet considering the profit earned, CJ Freshway has a long way to go. Furthermore CJ Freshway underwent the conflict with local distributors. The conflict caused CJ Freshway loses trust from local distributors. What should CJ Freshway do in the food distribution market for sustainable competitive edge?

DIGITAL LITERACY: A PILOT STUDY OF THE DIFFERENCES IN DIGITAL LITERACY BETWEEN ACCOUNTING MAJORS AND INFORMATION SYSTEMS, COMPUTER SCIENCE, AND FINANCE MAJORS

Linda Jo Calloway, Pace University
Susanne O'Callaghan, Pace University
John Walker, Queens College - CUNY
Catherine Dwyer, Pace University
Raymond Elson, Valdosta State University

ABSTRACT

Digital Literacy is important to the success of the 21st century accountant. We used Hobbs' digital literacy framework to determine the difference in digital literacy skills between accounting students and computer science and information systems' students. We found that accounting students' were significantly lower in the following abilities: using powerful search strategies; developing multimedia creations; using the internet to connect with others with shared interests; reflecting on online conduct and online social responsibilities; and applying social responsibility and ethical principles to communication behavior.

FINANCIAL PERFORMANCE, LIQUIDITY, FINANCIAL LEVERAGE AND THE EXTENT OF THEIR COMPLIANCE WITH MERGER AND ACQUISITION DISCLOSURE REQUIREMENTS: A TEST OF ROSS' SIGNALING THEORY

Rodiel C. Ferrer, De La Salle University

ABSTRACT

This study focused on how compliance with International Financial Reporting Standards regarding Business Combination Index is related with and its impact on the financial performance, liquidity and financial leverage of publicly listed companies. The compliance audit output was used by the author to calculate the financial statement disclosure index using a dichotomous procedure to score each of the company indices.

Using panel analysis, the author regressed each of the variables, namely, financial performance, liquidity and financial leverage of publicly listed companies against IFRS 3 Index, the latter being the main components of the disclosure indexed that capture the IFRS requirements. The IFRS Index served as proxy variables to test whether Ross' signaling theory can be validated or not in the Philippine equity market. Findings suggest that the IFRS 3 disclosure index of merger and acquisition exhibited a significant positive relation with the current ratio. Hence, this resulted to the rejection of the null hypothesis that the exogenous variable has no relation with the endogenous variable. Furthermore, merger and acquisition disclosure index denoted an insignificant relation with the asset turnover ratio and debt to equity ratio, as evidenced by the insignificant p-value.

Keywords: Liquidity, Financial Leverage and Compliance with Merger and Acquisition Disclosure Requirements

INTRODUCTION

Signaling theory helps stakeholders realize how important are the financial information a company discloses. The owner of a high-quality firm must be able to send a signal to their investors that will make clearly distinguish it from a low-quality firm. The transacting parties will reach equilibrium when investors accept the signal and pay a higher price to the high-quality firm; while the low-quality firm has no incentive to mimic the high-quality firm's signaling. A majority of people in the business sector may only be familiar with the financial audit since it is routinely done in big companies. However, operational audit, if the entity has various departments, may be of benefit as well. Meanwhile, Information systems audit is also very useful especially in electronic data processing systems. Investigative or forensic audit is a more in-depth approach to discovering spurious transactions that management seeks to uncover; while compliance audit ascertains that the company conforms to disclosure requirements based on the international accepted accounting standards particularly accounting for business combination.

Major changes found in the new standard included the removal of the pooling of interest method and the replacement of the goodwill depreciation by an impairment only approach. IFRS 3 was then revised in order to unify the treatment of business combinations at a worldwide level. The revised IFRS 3 was to be applied on mergers whose acquisition date is on or after July 1, 2009 (http://www.iasplus.com/standard/ias22.htm). With regard to these revisions of accounting standard, this study also aims to obtain a clearer understanding of the extent of International Financial Reporting disclosure on Business Combination of publicly listed corporations in the Philippines. Furthermore, this study also seeks to empirically determine the magnitude of financial disclosures by Philippine companies with IFRS 3 and to study relationship between IFRS3 compliance index and different financial performance measures among publicly listed corporations in the Philippines.

PANEL ANALYSIS, EMPIRICAL FINDINGS AND FINAL LINEAR REGRESSION TABLE FOR THE LIQUIDITY RATIOS AND IFRS DISCLOSURE INDEX

This section explains the results of the panel analysis, as well as the analysis of the final regression model for each of the activity ratios, namely the current ratio and the quick ratio.

Panel analysis was conducted in order to determine which among the three models: ordinary least squares, fixed effects model and random effects model was appropriate for the study. The data was first run using the OLS model and the appropriate sum of the squares of the residuals was noted. Afterwards, the data was run under each of the three variations of the fixed effects model, namely LSDV 1, LSDV 2 and LSDV 3. The model with the highest f-value or lowest p-value among the three LSDV models was used to represent the FEM. The test of overall significance of the dummies revealed that LSDV 1 has the highest f-statistics and the lowest p-value. As a consequence, LSDV 1 was the model used to represent FEM.

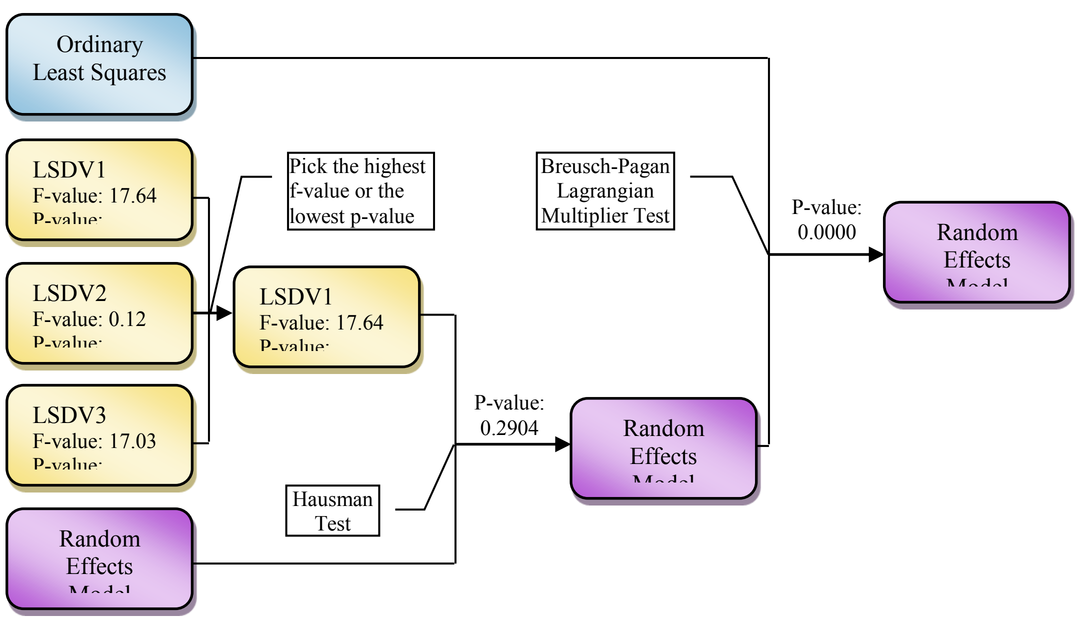

Figure 1
PANEL ANALYSIS WITH CURRENT RATIO AS THE ENDOGENOUS VARIABLE

In order to find out whether FEM or REM is the more appropriate model for the data, Hausman test was performed. The null hypothesis under the Hausman test provides that REM is the better model. Consequently, the alternative hypothesis indicates that FEM is the more fitted model for the data. Hausman test displayed a resulting p-value of 0.29, which is insignificant at alpha equals 0.05. Hence, this means that the null hypothesis would be accepted. As a result, REM is the chosen model.

Since the result of the Hausman test indicate that REM is the better model, Breusch and Pagan Lagrangian multiplier test was subsequently conducted to examine whether OLS or REM is the better model. The result, as shown in the above figure, indicated a p-value of more than 0.00, which is significant at α equals 0.05. This implies the rejection of the null hypothesis that OLS is the better model. As a result, this denotes that the alternative hypothesis that REM is the more fitted model for the data is accepted. Hence, REM is the accepted model from the panel analysis, which indicates that this is the model that would be used for the regression analysis.

Table 1
LINEAR REGRESSION MODEL FOR CURRENT RATIO
Random-effects GLS regression on Current Ratio

Independent Variable	**Coeff. Est.**	**Std. Error**	**z**	**p-value**
MADINDEX (β_2)	0.559	0.277	2.020	0.044
Intercept (β_1)	0.502	0.226	-2.220	0.026
No. of observations	597			
Overall Chi^2 Square Test	0.0435			
Overall R^2	0.0067			
Coefficient estimates in bold; the standard error estimates are robust				

The disclosure index of merger and acquisition exhibited a significant positive relation with the current ratio, as shown by its p-value. The z-score of 2.02 denoted a p-value of 0.04, which is significant at α equals 0.05. Hence, this resulted to the rejection of the null hypothesis that the exogenous variable has no relation with the endogenous variable. As a consequence, this implied that the predictor variable has a significant relation with the predicted variable. Since the coefficient of MADINDEX portrayed a positive sign, this indicates that the said variable is positively related with the current ratio. As a result, merger and acquisition disclosure index has a significant positive relation with the current ratio.

Table 2
LINEAR REGRESSION MODEL FOR QUICK RATIO
Ordinary Least Squares Estimation on Quick Ratio

Independent Variable	**Coeff. Est.**	**Std. Error**	**t-statistic**	**p-value**
MADINDEX (β_2)	208.474	198.647	1.050	0.295
Intercept (β_1)	-107.515	141.444	-0.760	0.448
No. of observations	1138			
Overall F-test	0.2950			
R^2	0.0013			
Coefficient estimates in bold; the standard error estimates are robust				

Merger and acquisition disclosure index has no relation with the quick ratio, as provided by the insignificant p-value. The t-statistic of 1.05 depicted a p-value of 0.295, which demonstrate that the variable is insignificant at α equals 0.05. Although the coefficient of the index connotes a positive relation with the dependent variable, its true relation is zero. This is the result of failing to reject the null hypothesis that the independent variable has no relation with the dependent variable. Hence, changes in the merger and acquisition disclosure index have no effect on the changes of the quick ratio.

Table 3
LINEAR REGRESSION MODEL FOR RETURN ON EQUITY
Ordinary Least Squares Estimation on Return on Equity

Independent Variable	Coeff. Est.	Std. Error	t-statistic	p-value
MADINDEX (β_2)	-190.049	569.504	-0.330	0.739
Intercept (β_1)	241.392	458.936	0.530	0.599
No. of observations	1146			
Overall F-test	0.11			
R^2	0.0001			
Coefficient estimates in bold; the standard error estimates are robust				

There is no significant relation between merger and acquisition disclosure index and the return on equity ratio, as displayed by the insignificant p-value. The t-statistic of -0.33 signified a p-value of approximately 0.74, which is insignificant at α equals 0.05. As a consequence, the null hypothesis that the independent variable has no explanatory power over the dependent variable is accepted. This manifests that although the coefficient of the disclosure index shows a negative relation; its true coefficient is actually zero. As a result, there is no relation between the merger and acquisition disclosure index and the return on equity ratio. The insignificant relation between the disclosure index and the return on equity denote that the level of compliance of the listed companies to the disclosures required by PFRS 3 is independent of its return on equity. It is a common belief that profitable companies are more compliant with the disclosures of PFRS 3 while less profitable companies are more reluctant because they are trying to make their financial statements “look better” in order to prevent the market value of its stocks from falling. In order to convince the stockholders to agree to the proposed act, management would often portray this to enhance the company’s profitability and return on equity. Hence, if the post-acquisition company reported an income lower than what the management projects, this would provide management with the incentive to engage in earnings manipulation in order to prevent the company’s stock price from falling due to the disappointment of its stockholders. As a consequence, this result denounces the notion of earnings manipulation and provides evidence that there is no relation between the companies’ profitability and the degree of compliance to the disclosures of PFRS 3.

Table 4
LINEAR REGRESSION MODEL FOR ASSET TURNOVER RATIO
Random-effect GLS regression on Asset Turnover Ratio

Independent Variable	Coeff. Est.	Std. Error	z	p-value
MADINDEX (β_2)	-45.920	57.888	-0.790	0.428
Intercept (β_1)	50.036	50.564	0.990	0.322
No. of observations	990			
Overall Chi^2 Square Test	0.4276			
R^2	0.0004			
Coefficient estimates in bold; the standard error estimates are robust				

Merger and acquisition disclosure index denoted an insignificant relation with the asset turnover ratio, as evidenced by the insignificant p-value. The z-score of -0.79 is equivalent to a p-value of approximately 0.43, which is insignificant at α equals 0.05. This means that the null hypothesis stating that the exogenous variable is not related to the endogenous variable is accepted. As a result, the true coefficient of the disclosure index with regard to the asset turnover ratio is zero. In other words, this implies that merger and acquisition disclosure index does not contribute to changes in the asset turnover ratio.

The insignificant relation portrayed by the merger and acquisition disclosure index and the asset turnover ratio indicates that the degree of compliance to the disclosures of PFRS 3 has no connection to the efficiency of a company's use of its assets in generating sales revenue. In other words, the level of disclosure has no relation to the operating effectiveness of the company. Management of companies with low asset turnover ratio may have the incentive to disclose fewer requirements of PFRS 3 in order to prevent blame for the company's ineffective operation. As a consequence, it is anticipated that a low asset turnover ratio would parallel a low disclosure index. However, the result indicated otherwise. Hence, this finding provides evidence that companies with low asset turnover ratio do not necessarily have a low merger and acquisition disclosure index.

CONCLUSIONS

Following the signaling theory by Ross, companies would disclose financial information since their managers desire to relay the firm's financial position and the results of its operations to different stakeholders such as investors. Moreover, managers aim to reassure the stakeholders that the company is in a going concern status and relieving market pressures.

It can be further deduced that the results of the dichotomous procedure for attaining the level of compliance among PLCs with IFRS disclosure requirements are anchored on the Signaling Theory. It must also be noted that financial statements serve as modes of communication with different stakeholders. Signaling Theory conveys information such as financial information disclosed on the face of the financial statements to wide range of different users. Thus, companies would be disclosing information with the help of their auditors in providing sufficient data to different stakeholders. The use of the signaling hypothesis by different companies denotes the proposition that signaling motivates corporate disclosures.

Likewise, the application of the signaling theory is further corroborated as firms appear to have an incentive to voluntarily report to the capital markets even if there were no mandatory reporting requirements. Firms compete with one another for scarce risk capital, and voluntary disclosure is necessary in order to successfully compete in the market for risk capital. Thus, regardless of the industry to which the PLCs belong, they would still be complying with International Financial Reporting Standard disclosure requirements. The findings suggest that the IFRS 3 disclosure index of mergers and acquisitions exhibit a significant positive relation with the current ratio. Furthermore, the IFRS 3 disclosure index seems to have no relation with the quick ratio, as supported by the insignificant p-value. Hence, changes in the merger and acquisition disclosure index have no effect on the changes of the quick ratio.

There is no significant relation between the merger and acquisition disclosure index and the return on equity ratio, as displayed by the insignificant p-value. The t-statistic of -0.33 signified a p-value of approximately 0.74, which is insignificant at α equals 0.05. This manifests that although the coefficient of the disclosure index shows a negative relation, its true coefficient is actually zero. Thus, there is no relation between the merger and acquisition disclosure index and the return on equity ratio. The merger and acquisition disclosure index also exhibited an insignificant relation with the return on total assets ratio. The t-statistic indicated a value of -1.19 or an equivalent p-value of more than 0.23. This p-value is insignificant at α equals 0.05. As a result, the null hypothesis is once again accepted, which translates that the true coefficient of the disclosure index is zero.

The insignificant relation exhibited by the return on assets with regard to the disclosure index provides that the degree of compliance to the disclosure requirements of PFRS 3 is independent of the companies' profitability. This result simply reinforces the implication of the previous variable, which actually provides evidence against the notion of earnings manipulation on the part of less profitable companies through less compliance to the disclosure requirements of PFRS3. Earnings manipulation takes advantage of the flexibility present in the accounting standards, which is often concealed through fewer disclosures.

The merger and acquisition disclosure index denoted an insignificant relation with the asset turnover ratio, as evidenced by the insignificant p-value. The true coefficient of the disclosure index with regard to the asset turnover ratio is zero. In other words, this implies that merger and acquisition disclosure index does not contribute to changes in the asset turnover ratio. The insignificant relation between the merger and acquisition disclosure index and the asset turnover ratio indicates that the degree of compliance to the disclosures of PFRS 3 has no connection to the efficiency of a company's use of its assets in generating sales revenue. In other words, the level of disclosure has no relation to the operating effectiveness of the company. The merger and acquisition disclosure index has no significant relation with the payables turnover ratio, as indicated by the insignificant p-value. The insignificant relation between the disclosure index and the payables turnover ratio denote that the degree of compliance to the disclosures of PFRS 3 has no association with the rate at which the company pays off its suppliers. The payables turnover ratio would give management an idea as to the company's float, which would help them make more effective use of the firm's funds.

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EARNINGS MANAGEMENT INDICATORS AND THEIR IMPACT ON INVENTORY TURNOVER UNDER FOOD, BEVERAGE AND TOBACCO SECTOR: A THOROUGH STUDY USING SIMULTANEOUS EQUATIONS MODEL

Rodiel C. Ferrer, De La Salle University
Glenda J. Ferrer, University of Rizal System

ABSTRACT

The scope of the study's sample size dwells on publicly listed firms that are engaged in food, beverage, and tobacco business. As for the computation of discretionary accruals, the extent of the study lies in the Modified Jones model. The point of analysis is also limited to the extent of literature that the researchers have gathered, in which the same, deemed as relevant for this paper. The statistical analyses that the researchers did are (1) regression analysis to derive the amount of discretionary accruals per firm, (2) panel data analysis to assess the impact and relationship of the FS variables to discretionary accruals and discretionary accruals to inventory turnover ratio, and (3) simultaneous equations model to assess the impact and relationship identified in the determining earnings management to the inventory turnover ratio. The samples that were used in this study include the companies listed in the Osiris database. The study focused on food, beverage, and tobacco industry. Data were captured from their published financial statement.

Keywords: Earnings Management Indicators, Inventory Turnover, Panel Analysis and Simultaneous Equations Model

INTRODUCTION

Capital, resources, extensive and successful risk-based management are common denominators among successful entrepreneurs such as Howard Schultz and Donald Trump. These things, however, can be best equated and explained by Peter F. Drucker's famous quote: "Whenever you see a successful business, someone once made a courageous decision". Their businesses started by another common denominator – a right amount of courage used at the right time, a pint of courage to return a million dollar profits.

Just as how subtle business decisions may be, as exhibited by choices which appear to be simple, such as make or buy and invest or divest, these decisions are also becoming increasingly critical in nature. A simple decision can make one an instant billionaire, but a tip of the balance may mean a chance of losing large profits. Hence, all business decisions should be well-informed and based on reliable and relevant data in order to ensure profits and mitigate risks to an acceptable level. Information processing and reporting financial data that is relevant and reliable to users of financial statements is the primary purpose of accounting. These accounting standards are generally based on objective judgment. However, several accounting standards allow management to exercise its discretion to report a certain account based on their own set of assumptions. More often, this discretion results into recognizing accruals thus, leading to the term discretionary accruals. It is a common knowledge among people that are well-versed in accounting that recognition of accruals affects the balance sheet and the income statement. Recognition of accruals affect the assets and liabilities as well and the profit and loss accounts. This should be viewed as a critical factor which raises flags on the possible repercussions brought by judgment of management. Needless to say, rationally, they have the motivation to increase earnings reported in the financial statements, making these accruals become subjective by nature. The big question is, will this discretion handed to management undermine the value of financial statements particularly on inventory turnover.

PANEL ANALYSIS, EMPIRICAL FINDINGS AND FINAL LINEAR REGRESSION TABLE FOR FINACIAL RATIOS, FULL IFRS DISCLOSURE INDEX AND IFRS DISCLOSURE INDEX FOR SMEs

Table 1 depicts that Accounts Receivable, Net Financial Asset, Salaries Expense, Property Plant and Equipment, Long Term Debt and Inventory have a significant effect on Discretionary Accruals. With p-values less than 0.01, which render the variables significant at 99% confidence level, accounts receivable, net financial assets, salary expense, property, plant and equipment, long-term debt and inventory significantly affect discretionary accruals. Since these variables are just proxies, the results show that the amount of bad debt expense, fair value gains, and losses on financial instruments, benefits expense, impairment loss and recovery on property plant and equipment have direct effects on discretionary accruals. The accounts receivable variable serves as a measure of the amount of impairment loss, bad debts expense and subsequent recovery of such that the firm could recognize. The accounts receivable having a p-value of 0.000 and t-score of 4.00 renders the variable significant at 99% confidence level, suggesting that accounts receivable significantly affects discretionary accruals.

Table 1
EFFECTS OF FINANCIAL STATEMENT ACCOUNTS IN DISCRETIONARY ACCRUAL

Da	Coef.	Std. Err.	t	p>|t|	[95% Conf. Interval]	
Da						
L1.	.2650564	.111905	2.37	0.020	.034145	.4866984
ar	.685268	.171145	4.00	0.000	.3462937	1.024242
netfinassets	-.1378477	.0161903	-8.51	0.000	-.1699147	-.1057807
salaries	-.1334469	.0173431	-7.69	0.000	-.1677971	-.0990966
ppe	-.1382885	.0267816	-5.16	0.000	-.1913329	-.085244
qaltd	-2.72e-09	3.26e-10	-8.34	0.000	-3.37e-09	-2.07e-09
invty	-.2432745	.1128322	-2.16	0.033	-.4667528	-.0197962
_cons	110309.7	191161.9	0.58	0.565	-268310.6	488930

The regression results show a p-value of 0.000 with an equivalent t-score of -8.51. Because the variable's p-value is significant at 99% confidence level, it can be concluded that net financial assets significantly affect discretionary accruals. Also, net financial assets having a negative coefficient suggest that the variable has an indirect relationship with discretionary accruals. Salaries Expense has a t-score of -7.69 and a p-value of 0.000, meaning that such will be significant at a 99% confidence level. From this statistical analysis, it can be concluded that salary expense has a significant effect on discretionary accruals. Apart from that, a negative coefficient gives way to the implication that the effect of this variable is to decrease discretionary accrual income. Property, Plant and Equipment (PPE) has a t-score of -5.16 and a p-value of 0.000, which then means that it will be significant at 99% confidence level, hence having a significant effect on discretionary accruals. Long Term Debt yields a p-value of 0.000 with an equivalent t-score of -8.34. Since it is significant at a 99% confidence level, it can be concluded that long-term debt has a significant effect on discretionary accruals.

Table 2 below depicts that none of the variables significantly affect Inventory Turnover. The total assets beginning of year showed a p-value of 0.760 and an equivalent z-score of -0.31. This means that total assets at the beginning of year do not significantly affect inventory turnover. It can also be seen that total beginning assets has a negative coefficient showing that it has an indirect relationship with inventory turnover. The degree of operating leverage showed a p-value of 0.582 and an equivalent z-score of -0.31. This means that the variable degree of operating leverage does not significantly affect inventory turnover. The predictor discretionary accruals at lag 0 indicated a p-value that is more than 0.100 which renders it insignificant. Similarly, discretionary accruals at lag 1 shows a p-value of 0.601 under a 95% confidence level which also renders it insignificant.

Table 2
EFFECT OF DISCRETIONARY ACCRUAL ON INVENTORY TURNOVER REM

it	Coef.	Std. Err.	z	p>|z|	[95% Conf. Interval]	
totalassetsbeginningcurrentyear	-7.02e-09	2.30e-08	-0.31	0.760	-5.21e-08	3.81e-08
degreeofoperatingleverage	-.0007709	.0014013	-0.55	0.582	-.0035174	.0019756
da						
--.	3.20e-07	3.98e-07	0.80	0.421	-4.60e-07	1.10e-06
L1.	2.65e-07	5.06e-07	0.52	0.601	-7.26e-07	1.26e-06
_cons.	12.03792	3.434402	3.51	0.000	5.306616	18.76922
sigma_u	17.406334					
sigma_e	13.792073					
rho	.61431347	(fraction of variance due to u_i)				

Table 3 below shows that all FS accounts affect discretionary accrual. After the SEM regression, accounts receivable has a p-value of 0.000 and an equivalent t-score of 3.89. This means that accounts receivable significantly affect discretionary accruals at 99% confidence level. The positive coefficient between accounts receivable and discretionary accruals shows a direct relationship between the two. The variables show a p-value of 0.000 and an equivalent t-score of -8.29. Thus, it can be claimed that there is a significant relationship with discretionary accruals at the 99% confidence level. A negative coefficient indicates inverse relationship discretionary accruals. This means that an increase in net financial assets would decrease discretionary accruals. It also implies that discretionary income may be decreased through this account.

Salary expense yields a significant relationship with discretionary accruals with a p-value of 0.000 and an equivalent t-score of -8.93. Since the regression showed a p-value of 0.000 and a negative relationship between the two, the null hypothesis in this study should be rejected. Because of a negative relationship, an increase in salary expense would decrease the discretionary accruals. Based on the data, the variable has a p-value of 0.000 and an equivalent t-score of -5.03. This indicates a statistical significance at the 99% confidence level alongside a negative coefficient for property, plant and equipment. This would mean that an increase in property, plant and equipment would mean a decrease in discretionary accruals. Long term debt: This variable has a p-value of 0.000 and a t-score of -9.15 and a negative coefficient. Thus, the researchers find this instance as a significant inverse relationship, which rejects the null hypothesis where at first it was expected that it does not have an effect on discretionary accruals.

Inventory: The results show a p-value of 0.028 and a t-score of -5.97. Thus, under a 95% confidence interval, inventory has a significant relationship with discretionary accruals.

Table 3
SIMULTANEOUS EFFECT MODEL FOR INVENTORY TURNOVER

	Coef.	Std. Err.	t	p>|t|	[95% Conf. Interval]	
It						
totalassetsbeginningcurrentyear	-5.68e-09	1.83e-08	-0.31	0.756	-4.17e-08	3.04e-08
degreeofoperatingleverage	-.0007476	.00195	-0.38	0.702	-.0045893	.003094
da						
--.	1.05e-07	6.50e-07	0.16	0.872	-1.18e-06	1.39e-06
L1.	7.45e-08	6.24e-07	0.12	0.905	-1.16e-06	1.30e-06
_cons.	11.85007	1.999178	5.93	0.000	7.911469	15.78867
Da						
da						
L1.	.2929982	.1133951	2.58	0.010	.0695974	.516399
ar	.6764659	.1740848	3.89	0.000	.3334997	1.019432
netfinassets	-.1380236	.0166396	-8.29	0.000	-.1708054	-.1052418
salaries	-.1602655	.0179419	-8.93	0.000	-.195613	-.124918
ppe	-.1390383	.0276251	-5.03	0.000	-.1934628	-.0846139
qaltd	-3.17e-09	3.46e-10	-9.15	0.000	-3.85e-09	-2.48e-09
invty	-.254499	.1152743	-2.21	0.028	-.4816021	-.0273959
_cons	128975.5	194997.8	0.66	0.509	-255191.7	513142.7
Endogenous variables:	it da					
Exogenous variables:	Totalassetsbeginningcurrentyear, degreeofoperatingleverage, L., da, ar,					
	qaltd invty					

It also showed a negative coefficient implies a negative relationship with discretionary accruals meaning an increase in inventory would decrease discretionary accruals. Based on the results, discretionary accruals have a statistically significant effect on inventory turnover. It showed a p-value of 0.044 and an equivalent t-score of 2.02 indicating a statistically significant relationship at 95% confidence level. It also showed a positive coefficient indicating a positive relationship between discretionary accrual and inventory turnover. DA Current: The results show a p-value of 0.872 and an equivalent t-score of 0.16. This means that it is statistically insignificant to make an inference about the said results. Even though it showed a positive coefficient, its p-value suggests that it should be equal to zero. But the positive coefficient indicates that it has a positive relationship with inventory turnover DA at Lag 1: The results show a p-value of 0.905 and an equivalent t-score of 0.12. This means that it is statistically insignificant to make an inference about the said results. Even though it showed a positive coefficient, its p-value suggests that it should be equal to zero. But the positive coefficient indicates that it has a positive relationship with inventory turnover Degree of Operating Leverage: The results show a p-value of 0.702 and an equivalent t-score of -0.38 which means that it is statistically insignificant and does not affect inventory turnover. It also showed a negative coefficient indicating a negative relationship with inventory turnover but because of its p-value, it should be equal to zero. Total Assets at Beginning of the Year: The results show a p-value of 0.756 and an equivalent t-score of -0.31 which means that it is statistically insignificant and does not affect inventory turnover. It also showed a negative coefficient indicating a negative relationship with inventory turnover but because of its p-value, it should be equal to zero.

CONCLUSION

Data testing were done to provide answers to the formulated hypotheses. The first test revealed that Accounts Receivable, Net Financial Asset, Salaries Expense, and Long Term Debt have a significant effect on Discretionary Accruals. Accounts receivable, Net Financial Asset, and Long Term Debt yielded significant positive coefficient which suggest that an increase in the values of the variables will result to increase in discretionary accruals. This results imply that the greater the values of these variables, the more likely it is that management used discretionary accruals to manipulate earnings. On the other hand, Salary Expense yielded significant negative coefficient which suggests that increase/(decrease) in value of salary expense decreases/(increases) discretionary accruals. Second test revealed that discretionary accruals do not significantly affect current ratio. This implies that, should the management use discretionary accruals to manage earnings, it is not for the purpose of making the inventory turnover ratio more appealing for evaluation purposes. In the data testing that has been done, none of the variables, including the lagged values, affect inventory turnover ratio. Lastly, the different variables used in the first test were evaluated using Simultaneous Effect Model (SEM) to take into account simultaneity. Unlike the first test, in this test, all of the variables have effect on discretionary accruals. With all variables having negative coefficient except accounts receivable, it could be inferred that a decrease in the values of the variables would lead to an increase in discretionary accruals or the other way around.

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THE EFFECTS OF INTERNATIONAL FINANCIAL REPORTING STANDARDS DISCLOSURE FOR SMALL AND MEDIUM ENTERPRISES (IFRS FOR SMEs) ON PROFITABILITY UNDER THE RETAIL SECTOR

Rodiel C. Ferrer, De La Salle University

ABSTRACT

At the dawn of the 21st century, businesses from all over the globe started crossing geographical boundaries to compete in the international market. Several breakthroughs impacted not only on the firms' ability to generate profits but also their ability to provide accounting information to various stakeholders. As business innovations continue to push through, globalization further necessitated transparency and comparability across entities regardless of geographical location. Hence, the IASB published international standards tailored for established and large corporations. This, however, posed burden to small and medium sized entities. As a proactive response, the IASB subsequently crafted a firm-specific standard now known as the IFRS for SMEs. This set of standards was later adopted by the Philippines and renamed it to PFRS for SMEs.

This study determined that on a general level, compliance level among entities in the retail trade industry had increased by adapting the PFRS for SMEs. However, further testing suggests that such increase was insignificant. After assessing the compliance level through testing the disclosure indices, this study tested whether there has been a significant difference on the financial performance of the entities before and after adapting the PFRS for SMEs as evidenced by the entities' financial ratios. The result of the test indicated that there is no significant difference.

Keywords: International Financial Reporting Standard, Accounting Standards for Small and Medium Enterprises, Disclosure Index and Profitability.

INTRODUCTION

The International Accounting Standards Board (IASB) established the International Financial Reporting Standards (IFRS) in April 2001 with the purpose of employing comparative financial reporting among countries. These accounting standards are principle-based rather than rule-based. Also, the IFRS removed certain discretions that were once present before its promulgation. In the Philippines, it was adopted in 2004 and was renamed to the Philippine Financial Reporting Standards (PFRSs) and the Philippine Accounting Standards (PASs). The Philippine Securities and Exchange Commission mandates publicly-listed companies to apply these standards in the financial statements that they submit. However, full compliance has presented problems to corporations, even the biggest ones. Besides the ever-increasing complexities, the cost of compliance cast significant doubt as to whether it is cost-beneficial to comply.

Considering the challenges of full compliance faced even by the well-established large corporations, it is certain that smaller-scale companies face the same dilemma. Perhaps, it is safe to assume that the degree of difficulty is greater for them because of the limited resources they have. Philippines, as a country, is dominated by small and medium-sized entities (SMEs). In fact, more than 99% of the businesses in the Philippines are classified as SMEs (DTI, 2011). Indeed, the importance of SMEs in nation building is unquestionable as they provide employment to a lot of Filipinos. This trend of being dominated by SMEs is apparent not just in the Philippines, but in the whole world as well. Hence, a set of accounting standards specifically tailored for these entities is of great necessity thereby giving birth to International Financial Reporting Standards for SMEs (IFRS for SMEs) and Philippine Financial Reporting Standards for SMEs (PFRS for SMEs).

Considering that most companies are relatively small to medium in size, complying with all of the provisions seems impractical and costly, and sometimes impossible due to certain circumstances present. The solution to this was the creation of a more simplified version of the IFRS, which is the International Financial Reporting Standard for SMEs. The IASB removed unnecessary requirements which bore little relevance to small and medium entities. This will make financial reporting for them easier and less costly while still maintaining the high quality of information reported. The Philippines welcomed the new standard and officially took effect last January 2010, renaming it to the Philippine Reporting Standard for SMEs (PFRS for SMEs).

Noting that the PFRS for SMEs is just a mere simplification of the Full PFRS, the nuts and bolts of the latter should still be intact to the former. However, the certain accounting treatments, one of which is accounting for provisions, may pose differences in the figures presented in the financial statement. Thus, this may result to variances on financial ratios calculated on both standards. According to Palka and Svitakova (2011) in the “Impact of IFRS for SMEs Adoption on Performance of Czech Companies”, the conversion of statements from the Czech Accounting Standards to International Financial Reporting Standard for Small and Medium-sized-Entities showed that the results of the financial ratios were affected by the said conversion. However, it was proven that the overall effect on the financial ratios were insignificant since the average deviation of the financial ratios were too low, which are below 1.5% of the value of the indicators. This paper aims to answer the question, what was the extent of the effect of compliance with PFRS for SMEs on profitability of companies belong to retailing industry?

PANEL ANALYSIS, EMPIRICAL FINDINGS AND FINAL LINEAR REGRESSION TABLE FOR FINACIAL RATIOS, FULL IFRS DISCLOSURE INDEX AND IFRS DISCLOSURE INDEX FOR SMEs

Table 1
TEST OF DIFFERENCE – DISCLOSURE COMPLIANCE

PERIOD	MEAN DIFFERENCE	P-value
Degree of Compliance with Full IFRS vs. Degree of Compliance with IFRS for SMEs	- 0.0693	0.1104

The Paired T-test is utilized to identify whether there is a significant change between the applications of the two standards. As shown in Table 1, the resulting mean of - 0.0693 and p-value of 0.1104 is considered not significant at the 95% level of confidence. As evidenced by the resulted p-value, it can be concluded that there is no significant change between the degree of compliance with the full PFRS and the PFRS for SMEs under the Other Retail Sale in Non-

Specialized Stores – Department Stores class. With the outcome of statistical tests showing an insignificant difference in terms of the degree of disclosure compliance prior and subsequent to PFRS for SMEs implementation, a conclusion can be made in contrast to the expected effect of the implementation of PFRS for SMEs. The insignificant increase in compliance with the PFRS for SMEs suggests the non-achievement of the objectives of the said standard, which is to ease the burden and to address the needs of small and medium-sized entities. The provisions in the PFRS for SMEs are complied with due to the benefits it promised to those who adopt the standards.

Table 2
SUMMARY OF PAIRED T-TEST ON KEY FINANCIAL RATIOS

VARIABLES	BEFORE	AFTER	P-value
Return on Equity	.1326239	.1516534	0.6614
Return on Assets	.0430901	.0341789	0.0805
Gross Profit	.1131944	.0870462	0.1494
Net Profit	.0866552	.0797653	0.1225
Operating Profit	.0962538	.0865691	0.1696

Based on Table 2, all of the ratios used in Test of Difference have come up with p-values greater than the critical p-value of 0.05. This means that there is no significant difference in the ten key financial ratios prior and subsequent to the implementation of the new standard, the PFRS for SMEs. It can be inferred that the increases and decreases in the financial ratios are not substantial enough to acknowledge that the transition from full PFRS to PFRS for SMEs has influenced its movements. To sum it all up, it can be concluded that there is no significant change in the firm performance as measured by the financial ratios between the use of the full PFRS and the PFRS for SMEs.

These findings are supported by the study of Palka and Svitakova (2011), which performed a similar research to determine the impact of IFRS for SMEs adoption to company performance as opposed to the local Czech Republic standards. The study concludes that there is a change in the key financial ratios after PFRS for SMEs implementation; however, such changes are statistically insignificant.

Table 3
SUMMARY OF DISCLOSURE COMPLIANCE WITH FULL IFRS VS FINANCIAL RATIOS

	MODEL	P-value	INTERPRETATION
Return on Equity	Random Effects	0.2326	Not significant
Return on Assets	Random Effects	0.1480	Not significant
Gross Profit	OLS	0.0012	Significant
Net Profit	Random Effects	0.0618	Not significant
Operating Profit	Random Effects	0.5297	Not significant

With the exception of one ratio, namely the gross profit margin, the analysis with the use of different tests shows that financial ratios generally has not produced any significant effects as to the degree of compliance prior to the application of PFRS for SMEs as presented in Table 3. It can be construed that small and medium-sized entities merely used the standard for compliance purposes and not as a means to improve their financial performance. A study of Mutawaa and Hewaidy (2010), which determines the possible effects of disclosure compliance by listed companies on the full IFRS to financial performance, discover that leverage ratios are negatively correlated with the degree of disclosure compliance but are statistically insignificant. The profitability ratio, as measured by the Return on Equity is positively associated with the disclosure compliance level, but not significant. Their conclusion expounded on their selected indicators, which are independent variables, as to have both positive and negative effects in relation to the level of compliance, but these are statistically insignificant. The result of their study, although conducted on listed companies, supports the results obtained in this study wherein ratios are not significantly affected by the degree of compliance.

In relation to Philippine listed companies, the study of Ferrer and Ferrer (2011) entitled "The Relationship Between Profitability and the Level of Compliance to the International Financial Reporting Standards (IFRS): An Empirical Investigation on the Publicly Listed Corporations in the Philippines" proved that there was no significant relation between company profitability, as measured by the Return on Assets, Return on Equity, Basic Earnings per Share, Return on Sales, and Revenues, and the degree of compliance to PFRS. Another study by the same authors, Ferrer and Ferrer (2011), entitled "Liquidity and Financial Leverage Ratios: Their Impact on Compliance with International Financial Reporting Standards (IFRS)" concluded that there was no significant relationship between company liquidity and financial leverage ratios and the degree of compliance to PFRS. Longer periods were used in these studies so that irregularities in events may be minimized to observe the true outcome. Nevertheless, both studies resulted in an insignificant relationship even if they were conducted on Philippine listed companies and not on SMEs.

Table 4
SUMMARY OF DISCLOSURE COMPLIANCE WITH STANDARDS FOR SMEs VS FINANCIAL RATIOS

	MODEL	p-value	INTERPRETATION
Return on Equity	Random Effects	0.8080	Not significant
Return on Assets	OLS	0.0011	Significant
Gross Profit	Random Effects	0.1752	Not significant
Net Profit	OLS	0.8677	Not significant
Operating Profit	Random Effects	0.1420	Not significant

For years 2010-2011, the applicability of PFRS for SME has been imposed. With the corresponding tests conducted, it is concluded that the degree of compliance has no significant effect on the key financial ratios with the exception of the return on assets. There were reported differences in the figures in the financial statements, especially during the year of transition; nonetheless, these fluctuations in amounts generally did not make way for a significant change to take effect. While there have been changes in the degree of compliance, it was not in connection with financial ratios.

A separate study conducted by Chyzhevska, Müllerová, Paseková, and Strouhal (2010) suggested that a substantial number of SMEs in the Czech Republic and Ukraine are not interested in reporting accurate and factual information for management purpose; rather, they merely produce reports to comply with tax regulations. The lack of significant impact resulted from the degree of disclosure compliance on financial ratios can also be supported by the intention of the PFRS objective and framework which is to provide transparent financial information and not to improve financial performance. However, one particular ratio exhibited a significant effect in relation to the degree of compliance to the PFRS for SMEs.

CONCLUSION

When the degree of compliance with full PFRS was related to the firm performance during 2008-2009, it was determined that there were no significant effects on the financial ratios due to the degree of compliance with the full PFRS with an exception to three ratio namely the Gross Profit Margin. With the given results, it cannot be ultimately assumed that a significant effect is present in relating the degree of compliance with the full PFRS to the key financial ratios. Therefore, the significant relationship between the three ratios mentioned as exceptions and the degree of compliance to the full PFRS could have been produced by other factors such as company specific characteristics and the internal behavior of the companies which are unique across the entities. On another hand, the assessment on whether there is a significant effect on the relationship between the degree of compliance and the PFRS for SMEs on firm performance has generally concluded that there is no significant effect, with an exception of one particular ratio, which is the Return on Assets. This is aligned with the initial objectives of the creation and implementation of PFRS for SMEs. The objectives of the PFRS for SMEs do not include the goal of improving company performance. The primary purpose of the PFRS for SMEs is to provide relevant and reliable information to users of the financial statements of small and medium-sized entities. Disclosing the necessary financial and non-financial information is for the benefit of the public, especially for those who would use this information to come up with vital business decisions. Lastly, the determination of the substantial relationship of the firm characteristics with the firm performance has been evaluated. The statistical results have produced an insignificant relationship between the variables. The asset size did not have any substantial relevance with the key financial ratios. It can be inferred that maintaining abundant resources for the company does not necessarily result to high or good and profitability ratios.

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AN EMPIRICAL INVESTIGATION OF THE IMPACT OF FINANCIAL RATIOS AND BUSINESS COMBINATION ON STOCK PRICE AMONG SERVICE FIRMS

Rodiel C. Ferrer, De La Salle University
Alger Tang, De La Salle University

ABSTRACT

With more and more people becoming engaged in stock trading in the Philippine Exchange, it is becoming essential that these stock traders know which information would be useful for them to effectively assess and evaluate stock performance.

This study explored the possible effects of mergers and acquisitions, together with the liquidity, activity, profitability, market performance ratios and the industry subsector on the year-on-year change in stock price among the different publicly listed service companies in the Philippines. The services sector includes media, telecommunications, information technology, transportation services, hotel and leisure, education as well as diversified services subsectors. These different subsectors were subjected to the statistical tools and techniques used in this paper. To accomplish this, the researchers made use of panel data regression with mergers and acquisitions, financial ratios and industry subsector as independent variables and the year-on-year change in stock price as dependent variables to highlight the impact of various regressors on stock price.

Results indicated that certain financial ratios, namely the return on asset, asset turnover, price-earnings and dividend payout ratios together with the diversified services subsector exhibited a significant impact on company's change in stock price. The result showed that some of the financial ratios had a significant impact on the company while business combinations did not have any significant impact on the year-on-year change in stock price. This indicated that managers make use of merger and acquisition strategies for purposes other than improving the stock performance of the company. This study would help corporate managers to create more advantageous strategies with the objective of increasing stock price. The study also allows the public to better anticipate changes in stock prices.

Keywords: Business Combination, Financial Ratios, Stock Price and Service Firms