PROCEEDINGS OF THE MUSTANG INTERNATIONAL ACADEMIC CONFERENCE

VOLUME 4
Spring, 2014

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Proceedings of the Mustang International Academic Conference is an official publication of Mustang Journals, Inc., PO Box 2193, Edmond OK 73083
www.MustangJournals.com
Print ISSN: 2169-3331  Online ISSN: 2169-334x
www.MustangJournals.com

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This is the Fourth Mustang International Academic Conference. We hope that you enjoy the academic camaraderie from the conference and the hospitality of Las Vegas, the city that never sleeps!


All articles that appear in this volume of the Proceedings of the Mustang Business Academy International Conference have been recommended for publication by the Advisory Editors, using a double, blind peer review process. Personal thanks are extended to the Advisory Editors for all their hard work and dedication to the Proceedings. Without their work, this publication would be impossible.

I started as Publisher in 2009, and I wish to express my sincere thanks and appreciation for all the support, encouragement, assistance and advice throughout the years from my family, friends, and peers. Publishing is an intense educational experience which I continue to enjoy.

Congratulations to all our authors. I extend a hearty invitation to submit your manuscripts for all Mustang Journals.

To further the objectives of Mustang Journals, Inc., all comments, critiques, or criticisms would be greatly appreciated.

Again, thanks to all the authors for allowing me the opportunity to serve you as Publisher of Mustang Journals. We hope you enjoy the Conference!

We hope to see you in October, 2014 in Nashville for our Fall Conference!

M.P. (Marty) Ludlum
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Distinguished Paper Awards

Mustang International Academic Conferences!

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Patrick Rishe, Webster University
Pricing Insanity at March Madness: Exploring the Causes of Secondary Price Markups at the 2013 Final Four

Joseph Blake, Jelena Vucetic, University of Phoenix
The Influence of Financial Literacy on Faith-Based Epistemology: A Case Study of Arizona Church Members

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Dividend Policy and Corporate Valuation

Las Vegas, Spring 2013 Conference:

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Satisfaction: A Path to Success for the Golf Industry

Shawn Schooley, Auburn University
Appreciative Inquiry: Answering the Call of the New Public Service by Creating a Democratic Discursive Space through Positive Storytelling wherein Direct Citizen Participation can Flourish

Yue Yuan, University of Chicago
Examining Stock Returns through Anomalous Volume: 1966-2009

Oklahoma City, Fall, 2012 Conference:

Kusum Singh, LeMoyne-Owen College
Paper: Distance to the Border: The Impact of Own and Neighboring States Sales Tax Rates on County Retail Activity

Daniel Adrian Doss, Russ Henley & David McElreath, University of West Alabama

Ralph Bourret & Dana Roark, Northwest Oklahoma State University
Paper: Are Routine Retiring CEOs More Closely Monitored in their Last Year?
Call for Papers

Fifth Mustang International Academic Conference

Nashville, Tennessee on Oct. 9-11, 2014

Deadline for Submission is September 15, 2014

Our Fifth International Conference will provide a **friendly and supportive** environment for **new and established** academicians an opportunity to share their research and works in progress with members inside and outside their disciplines.

The Conference and the Journals invite submissions in **all business and social science disciplines**, including accounting, anthropology, business, finance, communication, criminology, cultural studies, economics, education, management, international business, marketing, history, political science, psychology, sociology, social work, business ethics, and business law, in all areas domestic and international. Pedagogy, case studies, teaching notes, book reviews, cross-disciplinary studies, and papers with student co-authors are especially welcome.

The Conference is affiliated with our six **peer-reviewed journals**:

- The International Journal of **Social Science Research**,
- The International Journal of **Economics and Social Science**,
- The Mustang Journal of **Management and Marketing**,
- The Mustang Journal of **Accounting and Finance**,
- The Mustang Journal of **Business**, and
- The Mustang Journal of **Law and Legal Studies**.

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Can’t join us in Nashville? Our spring, 2015 conference will be announced soon!
Thursday, February 6

8:30am-10:30am  Registration

9:00am-10:30am -- Moderator: Nikki Pierce, Bellevue U.

Marty Ludlum, Mustang Journals

Opening Comments

Nikki Pierce, Bellevue U.

Examining the Impact for Automated Rubrics for Relevance, Specificity, and Timeliness of Student Feedback

Bonnie Rohde, Adam Dayke, Albright College

The Effect of the SEC’s Approval of Releasing Key Information Using Social Media Outlets and Its Correlation to Revenue in the Financial Services Industry

10:30am-10:45am  Break

10:45am-Noon -- Moderator: Bonnie Rohde, Albright College

Minje Jung, Youngmoo Baek, University of Central Oklahoma

Relationship between Interest Rate Differentials and Forward Exchange Rates: The Case of the Euro, Pound, and Yen

Thomas Liesz, Scott Metlen, Univ. of Idaho

Using Excel’s Solver to Enhance Student Understanding of the Financial Planning Process

Noon-1:30pm  Lunch Break (On Your Own)
Thursday, February 6

1:30pm-3:30pm -- Moderator: Thomas Liesz, University of Idaho

Theodore Brown, Oakwood U.

An Exploratory Comparative Analysis of the Role of Chief Financial Officers in Bermuda, Canada and the United States of America

Adam Epstein, Central Michigan

The Olympics, Ambush Marketing, and Social Media

Anand Jha, Texas A&M University, International

The Determinants of Cross-Border Corporate Strategic Alliances: The Role of Trust, Cultural Distance, and Institutional Distance

3:30pm-3:45pm Break

3:45pm-5:00pm -- Moderator: Anand Jha, Texas A&M University, International


Why Earnings Manipulation: A Free Cash Flow Approach to Manager’s Motives

Thomas Secrest, Coastal Carolina Univ.

Does a High Concentration of Retirees shield against Economic Downturns?
Friday, February 7

8:30am-10:00am  Registration

9:00am-10:30am -- Moderator:  Franco Gandolfi, California Baptist Univ.

    Angela Wells, Torey Kennedy, Capella Univ.

            Use of Derivatives in Risk Management

    Franco Gandolfi, California Baptist Univ.

            Organizational Downsizing and the Significance of the Psychological Contract

    Patrick Rishe, Webster U.

            Pricing Insanity at March Madness: Exploring the Causes of Secondary Price Markups at the 2013 Final Four

10:30am-10:45am  Break

10:45am-Noon  -- Moderator:  Angela Wells, Capella Univ.

    Beth Schneider, William Carden, Winston-Salem State

            Impacts of Globalization: Helping Students See the Big Picture

    Peter Harris, Simran Kaur, New York Institute of Technology

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Noon-2:30pm  Awards Luncheon (included in registration)
Friday, February 7

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Joseph Blake, Jelena Vucetic, Univ. of Phoenix
The Influence of Financial Literacy on Faith-Based Epistemology: A Case Study of Arizona Church Members

Saturday, February 8

8:30am-10:30am  Registration

9:00am-12:30pm  --  Moderator: Marty Ludlum, Univ. of Central Oklahoma

Besalet Basoglu, Manhattan College
Impact of Relative Size of Plant Assets in Choosing the Depreciation Method

Satvir Singh, Richard Posthuma, Prajya Vidyarthi, Guldinder Kaur, U. of Texas, El Paso
Employment Discrimination Laws: A Country Level Analysis

Carmine Nogara, St. Francis College
Earning Management through the use of Discretionary R&D Spending

Kyle Reinson, SUNY at Buffalo
Greenbiguity: The Ethics and Business of Green Standards

END OF CONFERENCE

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Call for Papers

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IMPACT OF RELATIVE SIZE OF PLANT ASSETS IN CHOOSING THE DEPRECIATION METHOD

Besalet Basoglu
Manhattan College

ABSTRACT

Under U.S. Generally Accepted Accounting Principles, Depreciation is defined as allocation of initial cost of the asset over its useful life in a systematic and rational manner. U.S. companies employ several depreciation methods. Straight-line method, accelerated depreciation methods, and units of activity method are the most commonly used methods. By far, straight line method is the most popular method. However, some companies also use other methods. In choosing the method they use to compute depreciation is the relative size of plant assets a factor? This paper attempts to answer this question. A sample of thirty one companies which used methods other than straight-line was selected. Then, they were paired with a randomly selected straight-line method company from the same industry. Therefore, the sample included thirty one pairs (sixty two companies). A paired sample’s test was conducted. The results indicated no significant difference at ninety five percent confidence level. The conclusion is that the relative size of plant assets is not an important factor in deciding which method to use in computing depreciation expense.
THE INFLUENCE OF FINANCIAL LITERACY ON FAITH-BASED

EPISTEMOLOGY: A CASE STUDY OF ARIZONA CHURCH MEMBERS

Joseph M. Blake Jr
University of Phoenix

Jelena Vucetic
University of Phoenix

ABSTRACT

The purpose of this case study was to depict Arizona church members’ financial literacy in order to understand their economic interest, attitudes, and values. The study examined concerns for faith-based organizations seeking to define the influence of religiosity, behavioral economics, and actionable learning pertaining to financial literacy and decision-making. A qualitative methodology allowed the salient influences to fully develop and provided an actionable and participatory inquiry with the intent to solve a social concern.

Key Words: Leadership, Epistemology, Decision-making, and Finances

INTRODUCTION

During the years 2007 and 2009, the United States confronted with an economic upheaval of epic proportions that nearly crippling the entire monetary structure of the country. The financial crisis was the most significant occurrence since the Great Depression, and did not stop in the United States (US) alone; it spread throughout the globe, and radically changed the viewpoint of the financial infrastructure (Angelides, 2011). According to Angelides (2011) the conclusion of the matter stemmed from human nature, action, and inaction of the individual as well as societal irresponsibility to account for human weakness. This case study’s effort was to understand the founding premises that defined financial literacy and identify what is necessary to gain a better understanding of the constructs to employ them. Financial literacy is the ability of an individual to gain access to economic information and make use of financial concepts to make effective choices (Servon & Kaestner, 2008).

In the aftermath of the financial crisis, $11 trillion in household wealth has disappeared, and there were more than 26 million people out of work, unemployed, and not being able to find work; some have plainly given up looking for suitable employment (Angelides, 2011). Typically, in times of crisis those who suffer misfortune seek refuge in nonprofit organizations for assistance, but unfortunately these organizations too were affected by the financial debacle (Castaneda, 2004). As a result the churches that faith-based participants generally received assistance from in times of trouble now face a harsher reality of not being able to assist their religious community. This scenario is not
an isolated incident and in fact the financial crisis affected a broad spectrum of organizations.

**LITERATURE REVIEW**

According to Boulding (1952), the Jewish culture emphasized gaining intellectual capital as a prelude to actuate economic success. Notably, the Jewish community is known for its ability to gain an economic edge on other religious groups. At the opposite side of religious thinking and economic status is the conservative Protestant, who centers his or her foundation for security in building and strengthening the family unit (Boulding, 1952). Moderate Protestants and Catholics are at the middle of this continuum and these groups tend to accumulate a moderate amount of capital with an average sized family unit. During the 1950s the number of religious groups operating on a national level was limited and pale in comparison to the religious groups existing during this study.

The historical underpinning of the literature included in the review provided insight into the interest in the correlation between religion and money. Boulding (1952) initiated the approach with an inquiry designed to discover factors that improve the financial status of certain religious groups. As the resolve to determine the nature of man and society seeking to expand, faith and finance are at the core of this understanding. The current research conducted by Lehrer (2008) moves the intrigue on this subject matter into its present state. The 56-year time span, from 1952 and 2008 between the two studies illustrate an interesting quagmire for leaders, especially in the nonprofit industry.

**RESULTS**

Plotting of the Likert –type scale further solidified the findings from the survey tool and illuminated what economic attributes participants felt were measurably important to them financially but lacked the necessary actions to do something about it. The five Likert-type scale results provided a striking visual of the content and how a person’s beliefs can detach themselves from the practices pertinent to economic development (Barro & McCleary, 2003). The contrasting measures show the importance of specific financial questions in direct relationship to the intended actions pale in comparison, taking a reduced role in a participant’s financial decision-making. The traits portray a stark pattern of behavior that is consistent across the plotting results of the five scales.

The results of various word frequencies and text search queries continued to shed light on the pervasive thoughts held by the participants. A word frequency search for two of the most important words established the foundation for this study were the words ‘God’ and ‘budget’ that revealed astonishing results. A frequency query for the word ‘God’ found that it permeated throughout the responses of this research endeavor in contrast to the word frequency search for ‘budget’ that did not reveal nearly as many occurrences. The word ‘budget’ has a lower frequency rate than the word ‘God’. The assumption is that an individual’s religious belief in God has more influence on economic thinking than the importance of a budget. God has the upper hand when it comes to faith-based decision-making (Barro & McCleary, 2003).
These graphic visuals provided a viewpoint of the words that were relevant to participants. The study provided a descriptive dialogue for the six-research question and what influences enhanced participants’ awareness of their economic behaviors toward making changes in their situation. The answers to the research questions came from the answers provided to the survey responses and the discussion during the one-one interviews. A combination of 52 word frequency and text searches were completed covering the 18 interview questions providing valuable insight as the top 1,000 words retrieve produced numerous texts spoken by the participants. The 52 word frequency and text searches created two or three major tag clouds and the top-three words were further refined with text searches producing a word tree that enriched the context of those conversations. Again, the word frequency and text search query were instrumental in providing clarity to the complex qualitative analysis of words spoken during an interview.

**RECOMMENDATIONS**

There is a gap between faith-based epistemology and the influence of financial literacy based on cognitive behaviors (Harris, 2001). The faith-based community’s teleological (predetermined outcome) monetary advantage collapsed along with the ongoing financial crisis (Neuman, 2003, p. 158). Religious doctrine has not prevailed any greater than those of non-faith during the economic recession as a majority of congregational members with 2,350 Bible verses discussing the topic of money, living in some form of bondage to debt (Harris, 2001; Wolgermuth, 2008). Church is a viable avenue for adherents to rely on when tough financial challenges infringe upon their existence; however the Church is facing its own harsh economic reality. In fact, banks foreclosed on 200 religious institutions in 2008 whereas only eight suffered this fate eight years earlier and virtually none a decade prior to that (The Wall Street Journal, 2011).

As participants progress through the five points of the Actionable Financial Decision Model (AFLDM), efforts to detect and correct errors evolve from employing the AFBC model-addressing constituent thinking (See Fig. 1). Patterns of thinking need to shift back to the consumer taking personal actions and not allowing participants’ to exercise choices blindly or without ethical professional suggestions. Conditions of personal ineffectiveness combined with professional improprieties help home foreclosures spread like a contagious ailment, participants especially need to alter this social trait (Angelides, 2011).

Figure 1 – Actionable Financial Behavioral Change (AFBC) (Argyris, 1996)
The purpose of the model is to foster economic behaviors directly relating to sustaining organizational productivity. The intended activities or resolve results in an increase in the corporate bottom-line and profitability. Epistemologically distortions detect any interference with rationality, logical thinking, and faith-based influencers to decision-making defined by the first three stages. The idea is to allow those in positions of influence to become the support of confidence in the recreation of ideals for changing economic behaviors filling the knowledge gap.

The Actionable Financial Literacy Decision Model (AFLDM) creates a theory of economic omnipotence (EO), a learning viewpoint that recreates economic learning in classrooms, boardrooms, and administrative offices (See Fig 2). EO is a continual cycle of actionable learning, implementation, and evaluation perpetuating the connective behaviors in design causality. Essentially when a constituent say’s, “I don’t know” the implied meaning is either the participant were not able to do so or they do not know how to accomplish the task (Kempson, 2008). As a guiding presence EO encompasses two spheres of influence and establishes five fundamental revolving precepts to employ. The intent is for participants to progress cognitively from knowledge, to skills, to attitudes, and to new behavior that results in a definitive action leading process of EO (Holzmann 2010; Kempson, 2008).

Figure 2 – EO and Actionable Financial Literacy Decision Model (AFLDM)

SUMMARY

The AFLDM illustrates a solution for creating a viable financial literacy measuring program or tool. The construct necessary for the appropriate measurement of consumer’s effective decision-making sustains actionable knowledge with the appropriate behaviors. The model provides practitioners and participants with the proper mediums to perform actionable learning endeavors. The two actionable conditions allow the theory to lessen the gap by filling the void with continuity harnessing the precise motives to influence productive actions. These actions are important to leading a learning model that detects and corrects an error or inappropriate modes of motivation of existence in the financial literacy gap (Holzmann, 2010, Huston, 2010).

Continuous replenishing the Financial Literacy gap requires the constant detection and correction of economic errors. The framework for the AFLDM includes Meta values
of competence, self-efficacy, and religious purposes (Argyris, 1996). This allows participants to embrace a kinship to financial endeavors that are familiar with individual beliefs, organizational efforts, and a higher purpose. The leaders in the faith community understand that these Met Values are key to the individual and significant to the faith-based community. As each individual improves financially then the group learns by collectively improving and creating an organization of financially astute believers. This logical and spiritual interconnection is accepted as a viable theory for economic recreation to develop in an organization (Argyris, 1996). The aim of the research endeavor was to create a very enriching and personally rewarding experience that positively changes financial literacy’s influence on faith-based epistemology.

Bibliography


An Organizational Intervention Utilizing Transformational Leadership Training – The Impact on Manufacturing Productivity

F. William Brown, Professor of Management, Montana State University

ABSTRACT

The correlation between transformational and contingent reward leadership behaviors and desired organizational outcomes is well established in the academic literature. A large international manufacturing organization which had failed to achieve expected productivity improvements following major capital expenditures sought advice from academic consultants and with their assistance undertook a comprehensive program to teach and increase contingent reward and transformational leadership behaviors by first line supervisors. Following a year-long training program, contingent reward and transformational leadership behaviors increased significantly as did objectively measured productivity and subjective measures of job satisfaction. The elements of the training program are discussed along with advice and lessons learned to promote effective cooperation between academics and practitioners to resolve practical problems and improve productivity in the work place.
AN EXPLORATORY COMPARATIVE ANALYSIS OF THE ROLE OF CHIEF FINANCIAL OFFICERS IN BERMUDA, CANADA AND THE UNITED STATES OF AMERICA: PERCEPTIONS OF SDA LOCAL CONFERENCE LEADERS

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ABSTRACT

This study was aroused by the notion that Seventh-day Adventist (SDA) Conference leadership perceptions of the Treasurer (CFO) significantly impacts how CFOs’ perform their role and influence organizational climate. Data were taken from a purposeful sample of N=399 at fifty-seven SDA Local Conferences in North America comprising Bermuda, Canada and The United States of America. A Mixed-Methods sequential exploratory research design utilizing Descriptive Statistics, Analysis of Variance, Chi Square and Student-Newman Keuls Post-Hoc Test revealed significant differences among the leadership; presidents {CEOs}, treasurers {CFO}, and board members {BM}, concerning their understanding and working knowledge of the CFO’s role. Discussion and Conclusions include potential conflict in leadership expectations of the CFO’s role, declining CFO work performance and organizational inefficiency. Implications are applicable to organizations where corporate leadership expectations of CFO’s role are not clearly defined, communicated or understood. Resolution strategies and some practical implications are discussed.

KEYWORDS: Board Members {BM}, CEO (Chief Executive Officer/President {P}), CFO (Chief Financial Officer/Treasurer {T}), communication, congruence, expectations, leadership, North American Division (NAD), perceptions, role, Seventh-day Adventists (SDA), understanding, working knowledge

INTRODUCTION

The Seventh-day Adventist Church, a global protestant religious organization, has experienced exponential growth over the last century, especially in the areas of financial revenues and asset accumulation. For example, “in 1899 the fledgling Seventh-day Adventist Church had only $55.33 in a bank account in Battle Creek, Michigan”… whereas… “tithe returned in the North American Division for 2012 was up about 1 percent for 2011 and totaled US$933 million. Tithe from divisions outside North America increased 4.4 percent, for a total of close to $1.4 billion….The Adventist world church received about $2.3 billion in tithe last year” (Adventist World – NAD 2013, p. 5). The emergence of the church as a global financial organization operating in multiple industries and business sectors has necessitated the emergence and development of skilled financial leadership that add substantial value to the organization (Corson and Miyagawa, 2012; Menkes, 2011; Witzel, 2010; Voogt, 2010; Shepherd, 2010). As
reflected in the changing structure of the SDA church to accommodate its services in a changing world, so the role of the SDA treasurer as CFO has appeared to change.

LITERATURE

The role of the chief financial officer has, changed, evolved and expanded dramatically due to rapid globalization and economic changes in the corporate business sector (Corson and Miyagawa, 2012; Zalud, 2012; MacManus, 2011). Corporations, governments and organizations continue to experience one financial crisis after another which has continued to significantly impact the perception, performance and position of chief financial officers (CFOs) in their organizations (Linden, 2012; O’Callaghan and Caulfield, 2006). CFO’s have also encountered a number of complex challenges as financial leaders due to multiple internal and external environmental factors (Corson and Miyagawa, 2012; Spanyl, 2011) such as changes to business structure (Tenkate, 2006), regulatory laws and Sarbanes-Oxley Act of 2002 (Linden, 2012; Ehrenhalt and Ryan, 2007; Tenkate, 2006; Swanson, 2007; Couto and Neilson, 2004; Strategic Direction, 2004), transitions in technology (Tenkate, 2006), domino effect of unemployment (Heffes, 2009), and organizational resources (Cunningham, 2005).

THEORETICAL FRAMEWORK

Zorn’s (2004) research on the rise of the CFO in the American firm noted that several existing studies offered explanations pertaining to the evolution of the CFO position, but the theories of “The Capital-Dependence Thesis” and “Fligstein’s Theory of Conceptions of Control” represented the most significant models. Zorn (2004), stated that “The Capital-dependence theory, thus post that conditions in the firms’ environment that determine access to capital, together with firm-specific capitalization characteristic, account for changes in organizational form in general and for adaptations in financial control systems in particular”. In Fligstein’s theory of conceptions of control examines, his model denotes “corporate structures and strategies are the products of firms’ institutional environments and the power struggle among different management factors each seeking to gain control of the large corporation” (Zorn, 2004). In each situation, the CFO is challenged to provide financial leaderships and regulate controls pertaining to the function of the position.

METHODOLOGY

Research Design

This study uses a mixed methods research design (Creswell, 2014). Creswell (2003) “defines mixed methods research by incorporating the definition that focuses on collecting and analyzing both quantitative and qualitative data in a single study” (p. 210). Thus, a sequential exploratory design involving qualitative (Eriksson and
Kovalainen, 2008; Nardi, 2003) and quantitative (Elsbach and Bechky, 2009) methods was utilized in the collection and analysis of the data.

RESULTS

Qualitative Analysis

The interview results from the presidents and treasurers from the four exemplary conferences selected in this study indicate that they had some differing perspectives on the past roles of the treasurer. No more than two appeared to share the same perspectives of what the roles were in the past. The results indicate that all four of the treasurers and two of the presidents shared the same perspective that the current role of the treasurer is to “manage the accounting and finances” of the organization. An analysis of the results of future roles indicated that presidents and treasurers, as individual groups, did not share any of the same perspectives in future roles.

Quantitative Analysis

Pertaining to the comparative rankings of treasurer’s past, present and future roles by presidents, treasurers and board members, the results revealed that the three groups tended to agree.

Table 6
Comparison of Rankings of Past Roles by Presidents, Treasurers and Board Members

<table>
<thead>
<tr>
<th>Presidents</th>
<th>M</th>
<th>Treasurers</th>
<th>M</th>
<th>Board Members</th>
<th>M</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial Manager</td>
<td>2.64</td>
<td>Financial Manager</td>
<td>2.77</td>
<td>Financial Manager</td>
<td>2.67</td>
</tr>
<tr>
<td>Administrator Officer</td>
<td>3.88</td>
<td>Administrative Officer</td>
<td>3.34</td>
<td>Accountant/Bookkeeper</td>
<td>3.07</td>
</tr>
<tr>
<td>Presidential Advisor</td>
<td>3.88</td>
<td>Accountant/Bookkeeper</td>
<td>4.39</td>
<td>Administrative Officer</td>
<td>3.55</td>
</tr>
<tr>
<td>Policy Administrator</td>
<td>4.23</td>
<td>Policy Administrator</td>
<td>4.43</td>
<td>Presidential Advisor</td>
<td>4.21</td>
</tr>
<tr>
<td>Accountant/Bookkeeper</td>
<td>4.26</td>
<td>Presidential Advisor</td>
<td>5.03</td>
<td>Policy Administrator</td>
<td>5.12</td>
</tr>
<tr>
<td>Stewardship Person</td>
<td>5.30</td>
<td>Stewardship Person</td>
<td>5.77</td>
<td>Stewardship Person</td>
<td>5.20</td>
</tr>
<tr>
<td>Payroll Check Processor</td>
<td>5.38</td>
<td>Payroll Check Processor</td>
<td>6.00</td>
<td>Payroll Check Processor</td>
<td>5.60</td>
</tr>
<tr>
<td>Diplomat</td>
<td>5.79</td>
<td>Diplomat</td>
<td>6.18</td>
<td>Yes-Man to the President</td>
<td>5.70</td>
</tr>
<tr>
<td>Yes-Man to the President</td>
<td>6.13</td>
<td>Yes-Man to the President</td>
<td>6.25</td>
<td>Diplomat</td>
<td>6.23</td>
</tr>
</tbody>
</table>

Note: The lower the mean score, the higher the ranking in importance. The higher the mean score, the lower the ranking in importance.

A summary of the results from the ranking of the present roles for the individual groups indicate that there were some similar rankings between the individual groups.

Table 7
Comparison of Rankings of Present Roles by Presidents, Treasurers and Board Members

<table>
<thead>
<tr>
<th>Presidents</th>
<th>M</th>
<th>Treasurers</th>
<th>M</th>
<th>Board Members</th>
<th>M</th>
</tr>
</thead>
</table>

29
Administrative Officer 1.83  Financial Manager 1.68  Financial Manager 1.85
Financial Manager 2.37  Administrative Officer 1.81  Administrative Officer 3.11
Presidential Advisor 3.25  Policy Administrator 3.61  Presidential Advisor 3.26
Policy Administrator 4.15  Presidential Advisor 3.67  Accountant/Bookkeeper 4.16
Diplomat 5.48  Diplomat 5.69  Policy Administrator 4.37
Stewardship Person 5.78  Stewardship Person 6.17  Stewardship Person 5.69
Accountant/Bookkeeper 5.81  Accountant/Bookkeeper 6.30  Diplomat 6.12
Payroll Check Processor 6.54  Payroll Check Processor 7.13  Payroll Check Processor 6.18
Yes-Man to the President 6.80  Yes-Man to the President 7.17  Yes-Man to the President 6.55

Note: The lower the mean score, the higher the ranking of importance. The higher the mean score, the lower the ranking in importance.

A summary of the results from the ranking of the future roles for the individual groups indicate that there were some similar rankings between presidents, treasurers, and board members. Although the rankings were somewhat different, the three groups agreed that in the future the top four roles will be “financial manager”, “administrative officer”, “presidential advisor”, and “policy administrator”.

Table 8

Comparison of Rankings of Future Roles by Presidents, Treasurers and Board Members

<table>
<thead>
<tr>
<th>Presidents</th>
<th>M</th>
<th>Treasurers</th>
<th>M</th>
<th>Board Members</th>
<th>M</th>
</tr>
</thead>
<tbody>
<tr>
<td>Administrative Officer</td>
<td>2.29</td>
<td>Financial Manager</td>
<td>1.52</td>
<td>Financial Manager</td>
<td>1.87</td>
</tr>
<tr>
<td>Financial Manager</td>
<td>2.73</td>
<td>Administrative Officer</td>
<td>1.97</td>
<td>Administrative Officer</td>
<td>2.83</td>
</tr>
<tr>
<td>Presidential Advisor</td>
<td>3.29</td>
<td>Presidential Advisor</td>
<td>3.57</td>
<td>Presidential Advisor</td>
<td>3.18</td>
</tr>
<tr>
<td>Policy Administrator</td>
<td>3.98</td>
<td>Policy Administrator</td>
<td>3.85</td>
<td>Policy Administrator</td>
<td>4.22</td>
</tr>
<tr>
<td>Diplomat</td>
<td>5.26</td>
<td>Diplomat</td>
<td>5.97</td>
<td>Accountant/Bookkeeper</td>
<td>4.64</td>
</tr>
<tr>
<td>Stewardship Person</td>
<td>5.77</td>
<td>Stewardship Person</td>
<td>5.98</td>
<td>Stewardship Person</td>
<td>5.51</td>
</tr>
<tr>
<td>Accountant/Bookkeeper</td>
<td>5.83</td>
<td>Accountant/Bookkeeper</td>
<td>6.60</td>
<td>Diplomat</td>
<td>5.68</td>
</tr>
<tr>
<td>Payroll Check Processor</td>
<td>6.64</td>
<td>Yes-Man to the President</td>
<td>7.14</td>
<td>Payroll Check Processor</td>
<td>6.49</td>
</tr>
<tr>
<td>Yes-Man to the President</td>
<td>6.66</td>
<td>Payroll Check Processor</td>
<td>7.19</td>
<td>Yes-Man to the President</td>
<td>6.71</td>
</tr>
</tbody>
</table>

Note: The lower the mean score, the higher the ranking of importance. The higher the mean score, the lower the ranking in importance.

**IMPLICATIONS and CONCLUSIONS**

Striking significant implications emerge in light of the findings of this study. If the expectation of the treasurer are not clearly defined and understood by presidents, treasurers, and board members; then there is a potential for
confusion of expectations, loss productivity, and inter-relational conflicts between the treasurer, president and
governing board members in the organization. Another implication involves determining the extent of the
treasurer’s role as the financial leader. How can the treasurer’s work be effectively evaluated and measured if there
are significant differences in the perceived levels of expectations and understanding by the individuals and entities
in which the treasurer is accountable to? Overall, the study showed that the presidents and treasurers in the
Adventist system were more in agreement than the treasurers and board members regarding the work. This seems to
indicate that the closer the groups work together, the more in agreement their perceptions and expectations may be.

Seventh-day Adventist Local Conferences are impacted in how their CFOs function in their role, provide
financial leadership, and are perceived by their presidents and board members as members of the conference
leadership team. Therefore, the role of the treasurer as the CFO should be clearly defined, documented, and
communicated in the policies of the governing organizations on all levels of the SDA church system.

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43.3: 29-31.


THE OLYMPICS, AMBUSH MARKETING AND SOCHI MEDIA

Adam Epstein
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The purpose of this article is to explore the concept of ambush marketing and the legal environment surrounding it. With the advent of the Sochi Olympic Games held in February, 2014, ambush marketing again makes its way to the forefront of national and international attention. Certainly, the discussion of ambush marketing in advertising strategies would be a useful tool at any point in a law course that addresses intellectual property such as trademarks and domain names, and consumer protection issues in general.

While the concept of ambush marketing is nothing new, the biennial Olympic Games once again allows for a discussion of the issues involved when organizations attempt to utilize ambush marketing, also known as guerilla marketing, parasitic marketing, or simply the unofficial games. In sum, ambush marketing is an intentional attempt by an advertiser to associate itself with an event though it did not pay for the right to be associated with it in the first place. Thus, the organization is not an official sponsor of an event though through advertising a consumer might believe that it is. Examples of ambush marketing events often include the Olympic Games, the Super Bowl, the FIFA World Cup, the Daytona 500, Kentucky Derby, and so on.
ORGANIZATIONAL DOWNSIZING AND THE SIGNIFICANCE OF THE PSYCHOLOGICAL CONTRACT

Franco Gandolfi

California Baptist University

This conceptual paper examines the nature of the psychological contract in the context of organizational downsizing. It provides an examination into the shift from the ‘old’ to the ‘new’ psychological contract seeking answers on how such a shift may affect the perceptions of the downsizing survivors. The paper also investigates whether this paradigm shift may be at the core of the emergence of the survivor sicknesses.
THE ACCOUNTING THEORY DEFENSES OF THE LAST IN FIRST OUT INVENTORY METHOD

Peter Harris
New York Institute of Technology

Simran Kaur
New York Institute of Technology

ABSTRACT

The Last in First out Method (LIFO) is presently under severe scrutiny from the financial community which may soon culminate in its repeal as an acceptable accounting method. There are pressures from the SEC in conjunction with the International Financial Accounting Standards Board (IFRS) to standardize accounting standards worldwide. In addition, there is political pressure imposed by the US administration to raise additional revenues. Both groups strongly oppose LIFO, raising a strong possibility that’s its complete elimination. However, new developments such as the issuance of the SEC report in July 2012 have resurrected hope for LIFO. This paper will address the reasons defending LIFO as an acceptable accounting method strictly from a financial reporting perspective.

INTRODUCTION

LIFO can be defended from a financial accounting reporting standpoint as this paper explores. Further, IFRS introduces several limitations and criticisms not evident in LIFO, further defending LIFO’s position as an acceptable accounting method. This paper examines the defenses of LIFO. The second part discusses the current and future state of LIFO. First, from an accounting theory perspective, it satisfies the principles of matching, and the income statement economic reality of LIFO presentation. Additionally, a correct Balance Sheet amount can also be derived by use of the LIFO by utilizing the required LIFO Reserve disclosure. It also adheres to the historical cost and conservatism principles. Second, from the perspective IFRS, there is a deviation from historical cost, which allows for estimation of values, resulting in the possibility of earnings management by the use of the Lower of Cost or Market rule. The third part of the paper discusses the future of LIFO and the author’s opinion as to its development. Part 4 is the conclusion section and discusses limitations of the paper and future research areas on this topic.

Part 2: DEFENSES OF LIFO

LIFO can be defended on present accounting theory, which can transform LIFO use to correct income statement financial reporting totals, as discussed next. It can also be defended that LIFO reserve disclosure can most accurately transform the Inventory balance sheet value to the most current cost presentation. Lastly, IFRS suffers in many areas of financial reporting, including the deviation from historical cost which leads to earnings management possibilities as well as income volatility potential, not found in LIFO. The result is that non LIFO use can distort financial reporting.

Accounting Theory:

A) LIFO satisfies many present underlying US GAAP principles including; the matching principle which results in as income statement economically reality presentation. LIFO’s greatest defense is that the Income Statement represents economic reality as it matches current inventory cost with current revenue, making the Income statement correct. The matching principal is adhered to by LIFO use.
B) Balance Sheet Correcting Inventory total by use of the LIFO Reserve amount: Since LIFO expenses its most recent inventory acquisitions to cost, the ending inventory balance presentation is composed of the oldest inventory purchases, making the balance sheet potentially and practically very inaccurate. From a non-tax aspect, this is the most viable argument against LIFO. The saving grace however, is that LIFO use can depict a true, current inventory valuation by use of the required IFO Reserve disclosure. The LIFO Reserve is simply the difference between the LIFO and FIFO inventory value. A FIFO, balance sheet friendly total can easily be calculated by adding the LIFO Reserve.

C) Conservatism: LIFO presents the most conservative financial position of a company. In an age of inflating earnings, LIFO is a relief in this regard and adheres to the principles of US GAAP.

D) Historical Cost: Further, the goal of reliability is met by LIFO use as historical cost valuation is followed. This is consistent with US GAAP methodology.

E) Objectivity: Historical cost cannot be argued and represents a reliable and objective measure of financial reporting. The lower of cost or market (LCM)-which is used in a non-LIFO inventory situation allows for the possibility of earnings management. Also, what is market? The LCM can be based on individual inventory on a unit by unit basis, groupings of inventory by similar nature or by total inventory totals, yet leading to more subjectivity in financial reporting. Also, IFRS and US GAAAP define market value differently leading to more potential problems.

IFRS Limitation

Both, US GAAP and IFRS allow for the Lower of Cost or Market for the valuation of inventories. This can be coupled with the FIFO or Weighted Average Method of inventory accounting. Under US GAAP, LCM cannot be used if LIFO is the chosen accounting method. US GAAP defines market as replacement value, whereas IFRS defines it as Net Realizable Value (NRV). NRV equals the sales price of inventory less the cost to sell the item, clearly much different than replacement value. Also, IFRS allows for reversal of losses; up to the amount of previous year’s losses, whereas US GAAP does not. Neither group allows for a write up of inventory above historical cost.

The potential negative implications under IFRS are as follows:

1-A deviation from historical cost: By allowing the LCM, subjective values can be imposed in the valuation of non LIFO inventory, leading to earnings management and potential income manipulation practices.

2-Earnings management potential as losses are allowed to be reversed in a future period: This can be quite problematic and companies can easily create “income” simply by reversing inventory losses; assuming an increase in market values by controllable in house valuations. This is too easy and the results of earnings management are thus controllable within the company.

3-Greater volatility of earnings which makes it difficult for comparison of financial statements as it is difficult to separate cosmetic differences versus real economic differences.
Use of LIFO will prevent the above limitations, as LIFO use is objectively based. Under US GAAP, if a company uses LIFO, it is precluded from using LCM and in effect retains the historical cost principle, preventing potential earnings shenanigans.

**Part 3: THE FUTURE OF LIFO**

There are four possibilities of LIFO going forward, and illustrated as follows:

<table>
<thead>
<tr>
<th>Case</th>
<th>Financial Reporting Purposes</th>
<th>Tax Purposes</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>2</td>
<td>No</td>
<td>Yes</td>
</tr>
<tr>
<td>3</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td>4</td>
<td>No</td>
<td>No</td>
</tr>
</tbody>
</table>

In case 1, LIFO would continue as present. Although dual resistance from IFRS and Congress exist, recent developments and charges against senator Rangel coupled with the continued weakness in the worldwide economy makes the status quo a reality. Although the continued use of LIFO will greatly and potentially hinder the goal of uniform financial reporting going forward, the ultimate goal here has moved to convergence and not uniformity, adding to the real probability of continued LIFO use in the USA. Compromises between US GAAP and IFRS in our opinion will be the norm rather than the exception going forward; commonly called endorsement of IFRS into US GAAP.

In case 2, allowing LIFO for tax purposes and not for financial reporting purchases represents the best of both worlds, as a company report the highest income for financial reporting purposes and pay the least amount of tax. The scenario would effectively eliminate the LIFO conformity requirement. The likelihood of this happening is most unlikely and not feasible.

In case 3, the worst of both worlds for a company; that is, the lowest income for financial reporting and the highest tax payment. This scenario is also not feasible.

Case 4 represents the complete elimination of LIFO. This will only occur if LIFO is eliminated at the tax level. If so, then it will be eliminated for financial reporting purposes, as the advantage for business purposes would not exist. Given the SEC’s non commitment to IFRS adaption in the US based on the release of their July 2013 report, the spiraling US deficit which now exceeds 16 trillion Dollars, LIFO is safe and unlikely that any repeal will occur in the future. In addition, the continuing worldwide economic problems, LIFO at this time is just a footnote for the US regulators, similar to the second term of then President Bush, which leads us to predict that this issue will not be addressed well beyond the 2012 election. Further in their July 2013 report, the SEC questioned the elimination of LIFO and stated that it was a tax policy issue and not an accounting issue. Our prediction then is a status quo on LIFO at this time and in the near foreseeable future.

**PART 4: CONCLUSION**

LIFO can be defended on many aspects of accounting theoretical frameworks, including the matching principle, historical cost principle, conservatism, reliability and relevance. Under LIFO, the income statement depicts a correct economic picture of a company’s operations. The ability to present a correct Balance Sheet amount by use of the
required LIFO Reserve amount is also easily possible, making the Balance Sheet economically relevant. Additionally, IFRS suffers from several key theoretical perspectives, such as the deviation from historical cost, reversal of previous year’s inventory losses, consequently allowing for the possibility of practicing earnings management techniques, not evident in LIFO. The good news for LIFO defenders is that the SEC has set no timetable for future IFRS guidance, raising a strong possibility of its future use in the indefinite future.

BIOGRAPHY

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Simran Kaur graduated with an MBA in Accounting from the New York Institute of Technology. She is the Vice President of Business Professionals. She graduated with honors and has published three refereed articles. During her time at New York Institute of Technology, she served as the President for School of Management’s Student Advisory Board, Student Ambassador, and Deans Intern. Her exemplary work has earned her many accolades. She can be reached at Skaur10@nyit.edu

REFERENCES

THE DETERMINANTS OF CROSS-BORDER CORPORATE STRATEGIC ALLIANCES: THE ROLE OF TRUST, CULTURAL DISTANCE, AND INSTITUTIONAL DISTANCE

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Phone: 956-326-2581

Abstract

We construct 315 unique country-pairs from 26 countries, and for each country-pair, we count the number of cross-border alliances that occur between firms from two countries. We do this for 9 years (1996-2004). In total, they represent 16,196 strategic alliances. We then construct for each country-pair measurements for trust, cultural distance, and institutional distance. Then in a multivariate framework, we examine the association of trust, cultural distance, and institutional distance with the numbers of cross-border alliances. We find that the cross-border alliances are more likely to occur between firms from countries that have higher trust, and shorter cultural distances. But institutional distance does not have any effect. Our results provide large sample empirical evidence to a classic question that remains unresolved because of conflicting empirical findings—possibly due to small sample size.

Key words: strategic alliance, cultural distance, institutional distance, trust, transaction cost

Minje Jung
Youngmoo Baek
University of Central Oklahoma

ABSTRACT

In this paper, we revisited a short term speculation, currency carry trade on the euro and the yen. Carry trade returns are calculated for 1- and 3-month speculation based on the 1-and 3-month spot exchange rates and the LIBOR interest rates differentials between the U.S. and the EU and the Japan during the sample period from the October 2007 and the September 2011. We found that foreign currency traders enjoyed positive speculative returns on the two currencies with 3-month carry trade is more profitable with higher risk for both currencies. Statistically though, carry trade returns on the euro are not significant for both carry trade periods. Japanese yen carry appears to be highly profitable and both 1-and 3-month carry trades appear to have produced highly significant returns during the sample period.
USING EXCEL’S SOLVER TO ENHANCE STUDENT UNDERSTANDING OF THE FINANCIAL PLANNING PROCESS

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Introduction and Motivation of the Problems Addressed

Introductory courses in Corporate or Managerial Finance often include the topic of Financial Planning and Forecasting, which is primarily projecting a company’s financial statements for some planning horizon (usually one year) into the future. The typical approach is to use pro forma financial statements to determine the amount of net new financing a company will require in order to fund the implied growth in assets from a given anticipated increase in sales in the coming year. The “bottom line” or end result of this analysis is alternatively known as “Additional Finance (or Funds) Needed” (AFN) (Gitman & Zutter, 2012, Brigham & Daves, 2011), “External Financing Required” (EFR) (Groppelli & Nikbakhd, 2011), or a number of other similar titles. In most cases this is a positive number and students are asked to consider some combination of debt and equity financing that the firm will need to obtain to make the balance sheet balance and support the cost of the expected new assets.

There are two problems with this methodology. First, AFN in this approach is a point estimate resulting from a specific anticipated increase in sales (e.g. a sales increase of 10%). This means the accuracy of AFN is dependent upon the accuracy of a single sales forecast number, which is very likely to be wrong. And second, if the firm chooses to fund at least part of AFN through debt, this will cause a change in the “interest expense” on the pro forma income statement, which in turn causes a change in pro forma profitability and, consequently, pro forma retained earnings on the balance sheet. This issue causes a change in AFN, and the original AFN is no longer accurate.

Most introductory textbooks do little or nothing to address these issues. The point estimate issue is rarely mentioned at all, and the change in AFN issue, if mentioned, is usually handled with just a short comment regarding the need for an “iterative” procedure to obtain the final AFN figure. (See for example, Lasher, 2012 or Berk, DeMarzo, and Harford, 2012) This approach can leave students with a lack of appreciation for both the complexity and importance of the financial planning process. Granted, doing a series of iterations by hand can be tedious and time-
consuming. However, the use of the Solver function in Excel can easily overcome not only the problem of quickly obtaining an accurate AFN, but also perform a sensitivity analysis that overcomes the point estimate problem as well.

Proposed Solution

Today’s business students commonly have laptop computers which they bring to class on a daily basis. Most, if not all, of these laptops have Microsoft’s business suite of tools loaded on their hard drives, and Excel is among these tools. Within Excel is Solver, a powerful analytical program that enables users to find solutions to simple iterative mathematical problems. It is fairly simple to use and most students can become proficient in its use in a matter of minutes.

The inputs for the AFN problem include basic spreadsheets of the pro forma income statement and balance sheet for a given company along with sales forecasts as a distribution, cost of debt information, and the cost of selling more securities along with an estimate of the security’s value. A sales forecast can be entered and an AFN is automatically obtained upon activating Solver. The model we have developed uses Solver to perform the iterative process to determine the final AFN figure. We can conduct a Monte Carlo analysis of the sales forecast and use those sales figures to then construct confidence intervals of the AFN that would be needed, including the cost of capital to finance the growth.

In addition to this, it is possible to make adjustments to the company’s capital structure and perform several ratio analyses that illustrate the connectedness of the financial planning process to other important financial goals and metrics of the company. The end result provides a much richer understanding of the financial forecasting methodology and how it fits into the overall financial management of the firm.

Example

Here is a typical financial planning/pro-forma problem used in an introductory finance course adapted from Gitman & Zutter, 2012, problem P4-19 on pp 146-147.

Use the financial statements and other information given below to prepare: 1) a pro forma income statement, 2) a pro forma balance sheet, and 3) a viable plan for raising the “External Required Financing” (ERF).

Last Year’s Income Statement

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales Revenue</td>
<td>$800,000</td>
</tr>
<tr>
<td>Less: Cost of goods sold</td>
<td>$600,000</td>
</tr>
<tr>
<td>Gross profits</td>
<td>$200,000</td>
</tr>
<tr>
<td>Less: Operating expenses</td>
<td>$80,000</td>
</tr>
<tr>
<td>Less: Interest expense</td>
<td>$20,000</td>
</tr>
<tr>
<td>Net profit before taxes</td>
<td>$100,000</td>
</tr>
<tr>
<td>Less: Taxes (rate = 40%)</td>
<td>$40,000</td>
</tr>
<tr>
<td>Net profit after taxes</td>
<td>$60,000</td>
</tr>
<tr>
<td>Less: Cash dividends</td>
<td>$20,000</td>
</tr>
<tr>
<td>To retained earnings</td>
<td>$40,000</td>
</tr>
</tbody>
</table>
### Last Year’s Balance Sheet

<table>
<thead>
<tr>
<th>Assets</th>
<th>Liabilities &amp; Equity</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cash</strong></td>
<td><strong>Accounts payable</strong></td>
</tr>
<tr>
<td>$ 32,000</td>
<td>$100,000</td>
</tr>
<tr>
<td>** Marketable securities**</td>
<td><strong>Taxes payable</strong></td>
</tr>
<tr>
<td>18,000</td>
<td>20,000</td>
</tr>
<tr>
<td><strong>Accounts receivable</strong></td>
<td><strong>Short-term debt</strong></td>
</tr>
<tr>
<td>150,000</td>
<td>5,000</td>
</tr>
<tr>
<td><strong>Inventories</strong></td>
<td><strong>Total current liab.</strong></td>
</tr>
<tr>
<td>100,000</td>
<td>$125,000</td>
</tr>
<tr>
<td><strong>Total current assets</strong></td>
<td><strong>Long-term debt</strong></td>
</tr>
<tr>
<td>$300,000</td>
<td>$200,000</td>
</tr>
<tr>
<td><strong>Net fixed assets</strong></td>
<td><strong>Common stock</strong></td>
</tr>
<tr>
<td>$350,000</td>
<td>$150,000</td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td><strong>Retained earnings</strong></td>
</tr>
<tr>
<td>$650,000</td>
<td>$175,000</td>
</tr>
<tr>
<td></td>
<td><strong>Total Liabilities &amp; Equity</strong></td>
</tr>
<tr>
<td></td>
<td>$650,000</td>
</tr>
</tbody>
</table>

The following financial data are also available:

1) The sales forecast for next year is $900,000
2) COGS and operating expenses will change directly in response to changes in sales
3) Interest expense will remain unchanged unless new borrowing is required
4) The firm expects to pay $35,000 in cash dividends next year
5) The firm wishes to maintain a minimum cash balance of $30,000
6) Marketable securities are projected to be approximately 3% of annual sales
7) Accounts receivable are expected to be approximately 18% of annual sales
8) The firm’s ending inventory will change directly in response to changes in sales
9) A new machine costing $42,000 will be purchased next year
10) Total depreciation for next year is anticipated to be $17,000
11) Accounts payable will change directly in response to changes in sales
12) Taxes payable will be one-fourth of the tax liability on the pro forma income statement
13) Short-term debt, long-term debt, and common stock will be unchanged on the pro forma statements, but can be used for the financing plan
14) Interest expense on short-term debt is 5% and on long-term debt it is 9.875%

Instructors typically will point out accounts and decisions that are generally under management’s discretion (such as the cash balance and dividend payout), accounts that will be directly impacted by changes in sales no matter what the desire of management (the “spontaneous” accounts), and the accounts that management can use to develop a financial plan that will make the pro forma balance sheet symmetrical.

In this particular problem the external financing required is $18,500. That is, the pro forma assets total exceeds the pro forma liabilities and equity total by $18,500. Once that number is obtained and explained, a set of potential financial plans would be developed, such as borrowing either long- or short-term, selling stock, or perhaps reducing dividends and that is where most discussions end. Little or no mention is made of the consequences of each decision.

If, for example, the decision is to borrow either long- or short-term, that will cause pro forma interest expense to increase. This will flow through to the bottom line net income and the amount of money by which pro forma retained earnings will increase. And now the external financing required that was originally calculated is incorrect!
Another, perhaps less obvious, issue is that the $18,500 is a single point estimate upon which the financing plan was developed. What if the $900,000 sales forecast is incorrect? How will the company be impacted by varying sales amounts?

These issues can be addressed with the use of Monte Carlo simulation using the Table function in Excel and the Solver function in Excel. In addition several other ancillary, but extremely important, issues can be brought into the discussion with some of the other features of our model. Some of those are explained in the next section.

Modeling: Results and Ramifications

Without writing Visual Basic code the range of the adjusted EFN needed to pay for the external financing has to be done using sensitivity analysis, and is a three step process. The first step would be to generate a 95% confidence interval for the non-adjusted EFN based on the variation displayed in the forecast using Monte Carlo Simulation. This step is solely used to show the range of possibilities and the probability that there would be no EFN. The sole purpose of the second step would be to determine the minimum, mean, and maximum of the forecast as inputs to the sensitivity analysis for the adjusted EFN. The third step would be to use Solver to determine the minimum, median, and maximum of the adjusted EFN.

This example problem is displayed in the attached excel file. In the first sheet, steps one and two are displayed along with the initial EFN calculation where the forecast is deterministic. In columns A-D the problem is addressed in its simplest form where the EFN is calculated, but note how all changeable cells are linked in some way to the sales cell in D1. In this first example the sales forecast is deterministic. The columns F-I are identical except that I1 is now stochastic based on a forecast that is a normal distribution with a mean of 900,000 and a standard deviation of 80,000, n(900000,80000). As can be demonstrated by pushing F9, the EFN decreases as sales decreases and vice a versa. It is now easy to conduct a Monte Carlo simulation (columns K-N) to determine the 95% confidence interval for the EFN and an approximation of the probability that the EFN would go to zero. This probability is only an approximation, as the assumption is made that the sample represents the population, in this case looking at 30 different samples pulled from the population of possibilities the probability of having an EFN of zero or less ranged from 1% to 4% using this method. One sample of 30 pulled from the population of possibilities created by using the stochastic forecast delivered a mean EFN of $17,773 and a confidence interval going from $14,792 to $20,754. Contingency planning can now be conducted based on this interval. As noted above, step two of the process is to generate a minimum, average, and maximum of the forecast to be used in generating a sensitivity analysis for the adjusted EFN. This range is easily generated by conducting another Monte Carlo simulation where a sample of forecasts are generated and the three numbers of interest are pulled from the sample using the min, max, and average function of Excel. This step is demonstrated in the first sheet in columns P-S. One sample of 30 displayed a minimum forecast of 722989, average forecast of 893066, and a maximum forecast of 1056406. A sensitivity analysis can now be performed for the adjusted EFN based on these three forecasts. In the second through fourth sheets are the results of putting into the Solver model the minimum, average, and maximum forecasts listed above. Of course Solver is not needed for the first one as no EFN is needed due to negative growth. The average growth value generated an adjusted EFN of $18,646 relative to an EFN of $17,772. The maximum growth value generated an adjusted
EFN of $36,639 relative to an EFN of $34,923. Thus, the expected range of adjusted EFN’s needed is from zero to $36,639 with the greatest probability of being close to $18,646. Because the ratios are also in the model, a ratio analysis can be performed to see the impact of sales growth given the mix of funding sources used. In this case the mix was 10% stocks and 45% short and long term dept. In the minimum growth model no EFN was needed, so the quick ratio increased from 1.46 to 1.54, but the earnings per share decreased 11.6%, usually signaling that stock prices would decrease. In the average growth model the quick ratio decreased to 1.39, but the earnings per share increased by 11.4%. In this case the quick ratio is still well above one, so the increase in earnings per share was gained by little increase in debt risk. With the maximum growth model the quick ratio is still well above one (1.32) and the earnings per share increased 33%.

Of course it is easy to change the mix in funding sources based on management dictates. For instance, if only 30% could be short term and the rest had to be long term debt the impact on the quick ratio would be smaller while the impact on the earnings per share would increase for both models. However, the respective adjusted EFN increase due to the increase in interest costs. These changes and others take less than 30 seconds to make in the model, so students could be asked to project the impact of different funding sources and growth expectations and their educated guesses could be instantly compared to what would actually happen.

Conclusions & Implications

The topic of financial planning is widely recognized as an important part of typical introductory finance course, but most textbooks and instructors do not go into the analysis of the “final” answer deep enough for students to get a true appreciation of either the complexity of the choice of the financial plan or the important connections between financial planning and other critical introductory finance topics such as capital budgeting and cost of capital. Further, the cursory way in which most textbooks cover the AFN/EFR final answer can leave students with the perception that it is not an important issue.

The model presented herein goes a long way to enhancing student understanding of this important topic. Students seeing this approach will come away with a much stronger comprehension of how managers must weigh their financing decisions within the broader context of the financial management of the firm.
References


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<td></td>
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<td>% increase</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>0.125</td>
<td></td>
</tr>
<tr>
<td>Net Sales</td>
<td>800000</td>
<td>1.125</td>
<td>900000</td>
</tr>
<tr>
<td>Cost of goods sold</td>
<td>600000</td>
<td>1.125</td>
<td>675000</td>
</tr>
<tr>
<td>Gross profit</td>
<td>200000</td>
<td></td>
<td>225000</td>
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<tr>
<td>Fixed operating costs except depreciation</td>
<td>80000</td>
<td>1.125</td>
<td>900000</td>
</tr>
<tr>
<td>Earnings before interest and taxes (EBIT)</td>
<td>120000</td>
<td></td>
<td>135000</td>
</tr>
<tr>
<td>Less interest</td>
<td>20000</td>
<td></td>
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<tr>
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<td></td>
<td>115000</td>
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<tr>
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<tr>
<td>Net Income</td>
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<tr>
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<tr>
<td>Addition to retained earnings</td>
<td>40000</td>
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</tr>
<tr>
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<td></td>
<td>6.9</td>
</tr>
<tr>
<td>Dividends per share</td>
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<tr>
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<td>10000</td>
<td></td>
<td>10000</td>
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<table>
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<th>Forecast</th>
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</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash</td>
<td>32000</td>
<td></td>
<td>30000</td>
</tr>
<tr>
<td>Marketable securities</td>
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<td></td>
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</tr>
<tr>
<td>Accounts receivable</td>
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<td></td>
<td>162000</td>
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<tr>
<td>Inventories</td>
<td>100000</td>
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<td>112500</td>
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<tr>
<td>Total current assets</td>
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<tr>
<td>Net Fixed Assets</td>
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<td>375000</td>
</tr>
<tr>
<td>Total Assets</td>
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<td></td>
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</tr>
<tr>
<td>Accounts payable</td>
<td>100000</td>
<td>1.125</td>
<td>112500</td>
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<tr>
<td>Accruals (Taxes Payable)</td>
<td>20000</td>
<td></td>
<td>11500</td>
</tr>
<tr>
<td>Notes payable &amp; Other Current Liabilities</td>
<td>5000</td>
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<td>5000</td>
</tr>
<tr>
<td>Total current liabilities</td>
<td>125000</td>
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<tr>
<td>Long-term dept (bonds)</td>
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</tr>
<tr>
<td>Total liabilities</td>
<td>325000</td>
<td></td>
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</tr>
<tr>
<td>Common stock</td>
<td>150000</td>
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<tr>
<td>Retained earnings</td>
<td>175000</td>
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<td>Total owners' equity</td>
<td>325000</td>
<td></td>
<td>359000</td>
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<td>Total liabilities and equity</td>
<td>650000</td>
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### Projected Income Statement

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<thead>
<tr>
<th>Item</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Sales</td>
</tr>
<tr>
<td>Cost of goods sold</td>
</tr>
<tr>
<td>Gross profit</td>
</tr>
<tr>
<td>Fixed operating costs except depreciation</td>
</tr>
<tr>
<td>Earnings before interest and taxes (EBIT)</td>
</tr>
<tr>
<td>Less interest</td>
</tr>
<tr>
<td>Earnings before taxes (EBT)</td>
</tr>
<tr>
<td>Taxes (40%)</td>
</tr>
<tr>
<td>Net Income</td>
</tr>
<tr>
<td>Common dividends</td>
</tr>
<tr>
<td>Addition to retained earnings</td>
</tr>
<tr>
<td>Earnings per share</td>
</tr>
<tr>
<td>Dividends per share</td>
</tr>
<tr>
<td>Number of common shares (millions)</td>
</tr>
</tbody>
</table>

### Projected Balance Sheet

<table>
<thead>
<tr>
<th>Item</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash</td>
</tr>
<tr>
<td>Marketable securities</td>
</tr>
<tr>
<td>Accounts receivable</td>
</tr>
<tr>
<td>Inventories</td>
</tr>
<tr>
<td>Total current assets</td>
</tr>
<tr>
<td>Net Fixed Assets</td>
</tr>
<tr>
<td>Total Assets</td>
</tr>
<tr>
<td>Accounts payable</td>
</tr>
<tr>
<td>Accruals (Taxes Payable)</td>
</tr>
<tr>
<td>Notes payable &amp; Other Current Liabilities</td>
</tr>
<tr>
<td>Total current liabilities</td>
</tr>
<tr>
<td>Long-term dept (bonds)</td>
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<tr>
<td>Total liabilities</td>
</tr>
<tr>
<td>Common stock</td>
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<tr>
<td>Retained earnings</td>
</tr>
<tr>
<td>Total owners' equity</td>
</tr>
<tr>
<td>Total liabilities and equity</td>
</tr>
</tbody>
</table>
EARNINGS MANAGEMENT THROUGH THE USE OF DISCRETIONARY R&D SPENDING

Carmine Nogara  
St. Francis College  
cnogara@sfc.edu

ABSTRACT

This study provides an analysis of why corporate managers use their discretion over research and development (R&D) spending to manage earnings. Quarterly data from corporate entities is examined to determine if managers utilize their discretion over R&D expenditures to avoid the reporting of net losses, earnings decreases, and earnings that fall short of analysts’ forecasts. The evidence suggests that firms will be more likely to reduce R&D expenditures in each of the following three scenarios: when a net loss is reported, when a decrease in earnings from the prior period is reported, and when earnings fall short of analysts’ forecasts.

INTRODUCTION

This study provides an analysis of the conditions that may lead corporate managers to use their relative discretion over research and development (R&D) spending to manage earnings. Corporate managers may modify the amount of the firm’s discretionary expenditures, such as R&D, in an effort to either create a smooth pattern of earnings or to meet earnings targets. This form of earnings management, referred to as real earnings management, involves the timing of operating and investing decisions to achieve income objectives. Firms may be motivated to report a smoother earnings stream to meet the expectations of capital markets, increase compensation to executives, circumvent lending contracts such as debt covenant restrictions, and create a perception of reduced risk prior to the issuance of debt. This study investigates the degree to which corporate managers utilize their discretion over R&D spending to avoid the reporting of net losses, earnings decreases, and earnings that fall short of analysts’ forecasts. An analysis and comparison of these three conditions is made to identify the settings in which firms would be more likely to manage earnings.

Of the many techniques used to manage earnings that are available to firms in R&D-intensive industries, the adjustment of R&D expenditures may present these firms with the greatest opportunity to manipulate reported earnings. SFAS No. 2, issued by the Financial Accounting Standards Board in 1974, specifies that R&D costs generally should be expensed in the period incurred, rather than capitalized as an asset. Prior studies (Lev and Sougiannis, 1996; Lev and Sougiannis, 1999, Chan et al., 2001) indicate that R&D costs meet the definition of an asset as providing a probable future economic benefit controlled by an entity, as described in Statement of Financial Accounting Concept No. 6. Although these research studies vary in their respective methodological approaches, each of these studies indicates that an increase in the amount and quality of R&D expenditures may result in an increase in future earnings. Therefore, for firms with a high R&D intensity ratio (R&D / Sales), it is intuitive to analyze R&D expenditures as a proxy for earnings management.

LITERATURE REVIEW

Earnings management takes place when decisions made by corporate managers are calibrated to achieve a predetermined level of reported earnings. Corporate managers can utilize their discretion over certain expenditures or accrual estimates to assist in achieving a desired level of earnings for the period. Healy and Wahlen (1999) report that earnings management occurs when managers use judgment in financial reporting and in structuring transactions to alter financial reports to either mislead some stakeholders about the underlying economic performance of the company or to influence contractual outcomes that depend on reported accounting numbers. Alternately, Schipper (1989) describes earnings management as the purposeful intervention in the external reporting process with the
intent of obtaining some private gain. The key element in each of these definitions of earnings management is the utilization of management’s discretion to affect the firm’s reported financial results. In fact, McNichols (2000) states that a fundamental element in any test for earnings management is management’s discretion over earnings.

Investors will seek a management team that will make decisions to generate a maximum amount of wealth for its corporate shareholders. Managers are entrusted to utilize the firm’s available resources to maximize its long-term growth opportunities while balancing the risk associated with these opportunities. Since changing economic conditions or other unforeseeable external factors may lead to less than optimal financial results for the business, managers may have an incentive to distort the true picture of the corporation’s performance. Opportunistic managers may even resort to employ counter-productive decisions in an effort to disguise the economic performance of the firm. Since the interests of management may not be completely in line with those of the investors, a setting may exist where it would be suitable for a manager to alter his decision-making process in an unintuitive manner. Identifying this setting can be a critical factor for potential investors and current.

SFAS No. 2 mandates that R&D costs generally be charged as an expense when incurred. Disclosure in the financial statements is required for the total R&D charged to expense for each reporting period. Proponents of this standard can justify the expensing of R&D as a conservative accounting method to reduce the opportunity for managers to capitalize expenditures that are uncertain to yield future benefits to the firm. Other scholars and practitioners have expressed varying degrees of opposition to SFAS No. 2 since its issuance in October 1974. They argue that R&D costs meet the criteria of an asset as specified by the FASB and the omission of these costs from the balance sheet compromises the relevance of the financial statements. Although SFAS No. 2 was issued to reduce the opportunities for a manager to arbitrary overstate the firm’s assets, this standard has created another medium for managers to alter the reported earnings of the firm. An underlying cause of the debate over how R&D costs should be accounted for is whether or not the tenets of the conservatism principle should override those of the matching principle. Proponents of conservatism can allude to the degree of uncertainty about future cash flows that may stem from a given expenditure. The argument about uncertainty, however, can be made for essentially all assets. Accrual accounting purists argue in favor of the matching principle by pointing out that most assets have an indeterminable value to a specific firm but this does not preclude the firm from recognizing the asset’s existence on the balance sheet. Bernstein (pp. 367) encapsulates the argument against the immediate expensing of R&D by referring to this treatment as a safe, rather than useful approach that overlooks the history of productivity of many ongoing research efforts as opposed to the uncertainty involved in one-shot research projects.

Although there is risk associated with virtually every R&D project, an abundance of literature indicates that R&D expenditures possess the attributes necessary to be considered an asset. In a recent study, Amir et al. (2007) find that in R&D-intensive firms, R&D outlays contribute to future earnings variability at an even greater rate than capital expenditures. The results of this study are consistent with findings from prior research conducted by Lev et al. (2005) that focus on the contribution of R&D spending to the firm’s future return on assets, return on equity, and earnings growth. In this study, Lev et al. construct a model to analyze firms over a period that spans from 1972 through 2002. The results indicate that the conservative reporting of R&D outlays leads to an undervaluing of R&D-intensive firms in the market. Other literature empirically establishes a linkage between R&D expenditures and subsequent market returns by estimating the period of time that a firm will generally benefit from an R&D outlay (Lev and Sougiannis, 1996; Chan et al., 2001). In these studies, R&D expenditures are estimated to provide a benefit to the company for a period of five to ten years.

Since the issuance of SFAS No. 2 in 1974, the U.S. economy has made a significant shift to the service sector. Walther and Strickland (2002) point out that it is misleading to judge a company solely on its “bricks and mortar” assets because its value is frequently predicated on intangibles linked to technology and intellectual property. This argument supports a position held by Lev and Zarowin (1999) who report that the non-recognition of intangible assets in the balance sheet has led to a decline in the value-relevance and usefulness of the financial statements. Healy et al. (1999) suggest that companies should be permitted to capitalize R&D on a basis similar to the successful-efforts method that may be used in the oil and gas industry for exploration costs. Prior research has provided evidence that a linkage exists between a firm’s R&D expenditures and its sales in subsequent periods (Griliches, 1987; Morbey, 1988). Since the benefits derived from R&D outlays may be realized over a number of years, the absence of R&D capital on the balance sheet denies investors the ability to assess a firm’s returns on its innovative activities (Lev, 1999). Ratios such as net sales to total assets and return on total assets are less meaningful due to the absence of R&D on the balance sheet.

In addition to establishing a linkage between R&D expenditures and future sales, prior literature has also identified an association between a firm’s R&D outlays and its future net income. Sougiannis (1994) indicates that, on average, a one-dollar investment in R&D will yield a two-dollar increase in profit over a seven-year period. Amir et al. (2007) suggest that an association exists between investments in R&D and subsequent earnings.
variability for firms that operate in an R&D-intensive industry. Other literature deals with examining the association between R&D expenditures and future stock returns. Although Morbey (1988) did not find an association between a firm’s R&D expenditures and its future stock price, more recent studies do find a linkage between expensed R&D and stock returns (Lev and Sougiannis, 1996, 1999; Chan et al., 2001). These current findings indicate that investors place a premium on the company’s growth potential via R&D expenditures over the risk associated with these R&D projects.

HYPOTHESES DEVELOPMENT

Earnings management practices may occur to avoid the reporting of net losses, earnings decreases, and earnings that fall short of analysts’ forecasts. Following Brown and Caylor (2005), Graham et al. (2005), and Degeorge et al. (1999), this study presents an analysis of quarterly earnings to examine the relative significance that each of these conditions has to motivate firm managers to finesse earnings. Since these studies and other prior research including Burghstahler and Dichev (1997) and Dechow et al. (2003) have yielded inconsistent results, the body of literature in this specific area should be updated. Changing economic conditions and the evolution of the financial reporting environment can affect how managers view each of these three quarterly thresholds. The performance of the overall market, the emergence of a global economy, and the issuance of legislation such as the Sarbanes-Oxley Act and Fair Disclosure Act can affect the motivations of firm managers to influence reported earnings.

Burghstahler and Dichev (1997) estimated that 30% to 44% of firms with low unmanaged losses take actions to raise reported earnings to achieve a positive net income. Since firms with a minimal amount of unmanaged net losses may be ideal candidates to engage in earnings management practices to achieve a net profit, the first hypothesis is:

H1: R&D-intensive firms that report a net loss, adjusted for unexpected R&D expenditures, are more likely to reduce R&D spending during this period.

Sustaining a consistent growth pattern of corporate earnings is of principal significance to firm managers. A decrease in reported earnings from the prior period can send a signal to the market that the firm has hit its peak earnings potential and may be on the decline. Therefore, the second hypothesis is as follows:

H2: R&D-intensive firms that report a decrease in earnings from the prior period are more likely to reduce R&D spending.

The use of analysts’ forecasts by researchers as a proxy for earnings expectations has been pervasive in accounting and finance literature over the years. Profitable firms may not want to exceed analysts’ forecasts by too great an amount because it may create a more difficult threshold to obtain in future periods. Since managers may be aware of the significance of beating earnings forecasts, the third hypothesis is:

H3: R&D-intensive firms that do not meet analysts’ forecasts of earnings are more likely to reduce R&D spending.

METHODOLOGY

Three distinct tests (one for each hypothesis) were performed for each of these firm-quarters. Unexpected R&D expenditures is used as the proxy for managed earnings in each of these tests. Unexpected R&D, the dependent variable in each test, is calculated as follows:

\[ \text{UNEXPEC}(R&D)_t = R&D_t - \text{EXPEC}(R&D)_t \]

and

\[ \text{EXPEC}(R&D)_t = R&D_{t-4} \times GF(R&D) \]

where,

- \( \text{UNEXPEC}(R&D)_t \) is the unexpected R&D expenditure for the current quarter.
- \( R&D_t \) is the actual R&D expenditure for the current quarter.
- \( \text{EXPEC}(R&D)_t \) is the expected R&D for the current quarter.
- \( R&D_{t-4} \) is the actual R&D expenditure for the same quarter of the prior year.
- \( GF(R&D) \) is the growth factor for R&D and is computed by adding 100% to the average annualized R&D growth rate over the five-year period for each firm in the study.
RESULTS

The final sample consisted of firms that represented the following sectors: pharmaceutical / biotechnology 25.6%, semiconductors and electronic components 25.0%, machinery 18.9%, laboratory instruments 18.2%, communications equipment 10.2%, other 2.1%. Quarterly R&D expenditures for firms in the sample ranged from $640 thousand to $7.1 billion, with a mean of $96.5 million. 47% of the firm-quarters reported negative unexpected R&D expenditures. For the following independent variables: 41% of the firm-quarters reported negative unmanaged earnings, 39% of the firm-quarters reported a negative change in unmanaged earnings, and 84% of the firm-quarters reported a negative surprise EPS. The leverage statistic h indicated that no observations in the study have a large (outlier) effect on the predicted values.

Test results indicate that the null hypothesis should be rejected for each of the three hypotheses. For the first hypothesis, observations with negative unmanaged earnings are more likely to report a negative unexpected R&D amount than observations with positive unmanaged earnings. The null of this hypothesis is rejected as the Wald statistic reported a significance level of below 5%. The odds ratio test, represented by the $\text{Exp}(\beta)$ statistic, revealed that firm-quarters reporting a negative amount for unmanaged earnings are 1.931 times more likely to report a negative unexpected R&D amount than firm-quarters that reported non-negative unmanaged earnings. Within a 95% confidence interval, the $\text{Exp}(\beta)$ statistic falls between 1.629 and 2.290.

For the second hypothesis, firm-quarters that reported a decrease in unmanaged earnings are more likely to report a negative unexpected R&D amount than firm-quarters that reported an increase in unmanaged earnings. The null of this hypothesis is rejected as the Wald statistic reported a significance level of below 5% (see Table C). The odds ratio test, represented by the $\text{Exp}(\beta)$ statistic, revealed that firm-quarters reporting a decrease in unmanaged earnings are 1.228 times more likely to report a negative unexpected R&D amount than firm-quarters that reported an increase in unmanaged earnings. Within a 95% confidence interval, the $\text{Exp}(\beta)$ statistic falls between 1.037 and 1.455.

For the third hypothesis, observations with a negative amount for earnings surprise are more likely to report a negative unexpected R&D amount than firm-quarters with a positive earnings surprise. The null of this hypothesis is rejected as the Wald statistic reported a significance level of below 5% (see Table C). The odds ratio test, represented by the $\text{Exp}(\beta)$ statistic, revealed that firm-quarters reporting a negative amount for earnings surprise are 1.573 times more likely to report a negative unexpected R&D amount than firm-quarters that reported a positive earnings surprise amount. Within a 95% confidence interval, the $\text{Exp}(\beta)$ statistic falls between 1.262 and 1.962.

CONCLUSIONS

Evidence from this study indicates that decisions to invest in R&D are influenced by corporate managers’ concerns about reported earnings. These results are consistent with prior studies (Burghstahler and Eames, 2003; Baber, et. al., 1991) which indicate that managers will alter discretionary spending to manage earnings. This conclusion is further supported by the test results with the change in capital expenditures as the dependent variable. The ranking of importance for each of these three predictor variables on unexpected R&D is as follows:

- First: Manage earnings to avoid reporting a net loss.
- Second: Manage earnings to avoid falling short of analysts’ estimates.
- Third: Manage earnings to avoid reporting a decrease in income from the prior period.

The results from this study suggest that firms will place a premium on attempting to report a net income rather than a net loss. This is intuitive because firms that fail to meet this benchmark may suffer actual economic consequences that are directly tied into reporting a net loss. Contractual agreements that include as employee compensation arrangements, bank lending practices, and bond rating criteria may all be influenced by whether or not a business reports a net profit. The implications from this study could affect the decision-making process of investors, analysts, auditors, and standard-setters.

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EXAMINING THE IMPACT OF AUTOMATED RUBRICS FOR
RELEVANCE, SPECIFICITY, AND TIMELINESS OF STUDENT FEEDBACK

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Abstract

The capacity for a student’s growth depends on the ability of his or her instructor to give timely feedback about progress and performance throughout a course. Vague feedback can result in uncertainty, misconceptions, or incorrect practices. Being able to identify the relevant feedback tools for both student and instructor can support a student centered learning environment. Automated rubrics can be used by instructors to evaluate students, measure learning, and tie curriculum to learning in residential and online classrooms if used effectively. When shared with students, automated rubrics present quantitate scores and written comments which allow for clear and specific guidance on how to improve performance. Although appropriate timing of feedback may depend on the nature of the assignment, the goal of this research is to examine various practices that instructors can use to foster timely feedback. This investigation is intended to outline specific methods along with practical tools that instructors can successfully use for student feedback in alignment with new or existing curriculum. This exploration also provides insights to researchers to conduct further research on these topics.

Keywords: feedback, automated rubrics, learning environment, assessment
Within U.S. business brand discourses, the subject of sustainable practices and green products has grown ubiquitous. Undergirding the consumer-driven pressure on corporations to reduce their environmental footprint is the crucial need for green standards by which corporations in any industry can be measured when it comes to operating more sustainably. The creation and implementation of green standards has become a multi-million-dollar business itself, in which nongovernmental organizations step forward to not only set standards but train others in the content of standards and endow certifications on myriad professionals to offer professionals an assumed competitive advantage in the marketplace. One sector that has been sufficiently greening during the past decade is residential housing in the U.S., which infamously burst its own bubble around 2007 after a long ride atop the wave of increasingly suburban American cities and inflated housing prices. Standards, after all, are created with ethical underpinnings at their core, largely because they are voluntary and not always legally-binding. When the process of setting and maintaining standards becomes competitive and lucrative, it is not surprising that green standards will vary across geographies and political landscapes only to emerge as ambiguous alternatives that can often conflict with one another. This work in progress will examine residential housing and its specific green tendencies toward self-certification against the backdrop of the housing bubble’s aftermath. The aim of this research is to illuminate not only the green blind spots that have been created by green standards but the economic drivers of the green economy which has yet to deliver on its promise of the triple bottom line of environmental capitalism.
PRICING INSANITY AT MARCH MADNESS: EXPLORING THE CAUSES OF SECONDARY PRICE MARKUPS AT THE 2013 FINAL FOUR

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Abstract: As the online secondary market for buying and selling sports tickets has grown more sophisticated over the last decade, the volume of academic research exploring how sports consumers behave within this marketplace has also grown but is still underserved. Specifically, there have been no inquiries to date that look into whether secondary price markups differ across micro-events within a larger sporting event, and no studies involving college sporting events, and in particular, the Division I Men’s Basketball Championships and its culminating weekend known as the Final Four. Using 285 online transactions accounting for 750 tickets purchased through online ticket vendor TicketCity.com for the 2013 Final Four at Atlanta’s Georgia Dome, the empirical results suggest that the underlying mechanism causing differential secondary markups differs across ‘Session Type’. These markup differentials are also influenced by the quantity of tickets purchased within a particular transaction as well as by seat quality. Though the results provide both the NCAA and TicketCity with strategic information to maximize future profits, an extension of this research would be to allow for comparisons across different parts of the entire tournament (thereby creating cross-venue and cross-city comparisons).

Keywords: Secondary ticket pricing, March Madness, Sports Marketing, Sports Consumer Behavior

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1 The author acknowledges Professors Rob Roy McGregor and Ron Madsen (Charlotte), Hailong Qian (Saint Louis University), and Bob Parks (Washington University – St Louis) for their input on various econometrics issues, as well as UCLA students Nakul Gulati and David Park for their assistance compiling articles for the literature review.
THE EFFECT OF THE SEC’S APPROVAL OF RELEASING KEY INFORMATION USING SOCIAL MEDIA OUTLETS AND ITS CORRELATION TO REVENUE IN THE FINANCIAL SERVICES INDUSTRY

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ABSTRACT

At the beginning of 2012 the Securities and Exchange Commission made a ground breaking decision to allow companies to use social media outlets such as Facebook and Twitter to release key information as long as investors have been alerted about the release. This approval has caused a lot of controversy. This study investigates if consumers use financial services firms’ social media sites, if they are aware of the SEC’s decision, the use of social media by financial services firms and site content analysis to determine compliance to the SEC regulation. Regression analysis was used to determine if there is a correlation between financial services firm’s social media fans and followers and their revenue. Investigation of other influencers (i.e.: economic data and firm growth) help to provide relevant findings about the impact of social media use by financial services firms since the SEC approval.

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ENHANCING SKILLS FOR GLOBAL CITIZENSHIP: A PEDAGOGICAL APPROACH

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ABSTRACT

The concept of globalization is not new; the term “global village” was first introduced over 50 years ago, incorporating the idea of personal interactions and exchanges between world citizens. Since then, globalization has been viewed from economic, technological, and social perspectives, leading to a myriad of definitions and areas of focus. Regardless of the varying perspectives, globalization has become a pervasive topic in the academic world as students’ knowledge and skills of the global marketplace are seen as a basic survival tool for the 21st century. Yet our academic actions have not been overly successful and many students lack the awareness, understanding and skills associated with cultural intelligence which are necessary for obtaining “global dexterity.” Therefore we propose that new directions in pedagogy address factors necessary for developing cultural intelligence to help students gain awareness and abilities to adapt behaviors for global interactions.

INTRODUCTION

While globalization is nothing new, its recent acceleration has led many to address the inevitable changes and their implications (Smith, 2004). Technological advances have dramatically changed communication, logistics, distribution and production while economic and political changes have developed interlocking global ties and increased concern for human, environmental and global issues (Ghemawat and Ghadar, 2006). The argument has moved beyond, "whether globalization exists" to, "how to adapt to these changes" which offer huge opportunities and previously unforeseen threats for individuals, organizations and government agencies. For educators, the challenge is to create new modes of instruction to move beyond simply teaching national citizenship coated in a global framework to designing educational means that truly create global citizens (Davies, Evans, and Reid, 2005) with heightened cultural intelligence (Salovey & Mayer, 1990; Earley and Mosakowski, 2004).

INCORPORATING GLOBALIZATION IN ACADEMIA

Globalization education has become an essential part of preparing students for success in the new century to position them to live and compete in the competitive, global environment. With 6 - 8 million Americans living and working, either temporarily or permanently in over 100 foreign countries (Costanzo and von Koppenfels, 2013), it becomes imperative for educational systems to develop global citizens and not just national citizens (Hainmueller and Hiscox 2006). While the need for global education has been demonstrated, the U.S. education system still has not been effective in providing a sound foundation for ensuring student success in the global environment. Research by Dr. Chris Harth, President of the Global Studies Foundation (2005) found that American students finished second to last in international comparison on world geographic and political knowledge, lacked general world knowledge, and knew very little about current or past international affairs. This lack of performance coincides with a so-called “participation gap” in which attitudes about the importance of global involvement significantly trails rhetoric extolling the importance of such knowledge. In other words, failure to learn or care about global issues can be based on a pervasive feeling that global concepts and issues just aren’t that important in students’ lives. Additionally, with only 10% of U.S. undergraduate students studying or working abroad, this practice does little to broaden the already scarce knowledge base about the world to a majority of our youth. Therefore, these implications provide justification for developing academic programs focused on addressing global citizenship to create a sound foundation for students living and working in the global environment.
GLOBALIZATION LEARNING THROUGH ACTIVITIES

Educational objectives should be to enhance a student's global perspective - "Cultural Intelligence" (Earley and Ang, 2003) or "Global Dexterity" (Molinsky, 2012) - for situational analysis and decision making on not only what is happening now, but to be able to make projections based on how the world will (might) be in five or ten years. Strategic vision and decision making is critical for a firm's competitive advantage as well as an impactful skill for students in competing in the global environment. In order to be a visionary with global perspectives, an individual must possess an acute awareness of global issues and with the ability to delineate this awareness to practical application.

Three activities have been developed to introduce the topic of globalization; they can be used to motivate the conversation in gaining awareness on the complexities of global issues to expand students’ perceptions beyond local and national boundaries. The first activity, "It's a following activities start by first addressing the broad issue of globalization (Exercises 1 and 2) and then narrow to a multi-national perspective (Exercises 3) to develop awareness of the interconnectedness of the global stage and develop code switching skills (Molinsky, 2012) for readily adjusting behaviors based on a broader understanding.

**Exercise 1 - "It's a Small World":** The goal of this first activity is to heighten student’s awareness to the impacts of globalization on the world and consequently to themselves personally. In order to develop a more informed student body, it is important to guide students towards a global perspective by increasing awareness regarding the complexities and impacts of global events and issues (Merryfield, 2004) and to address the deficiencies presented through the "participation gap". This activity will also assess the student’s existing awareness level on global impact and serve as a measurement for overall current awareness or skill level. The results of this assignment will highlight attitudes, biases, and learning deficiencies on global issues in order to determine criteria for devising future lectures or training activities.

The exercise requires students to conduct research on various global facets and find examples and determine how these factors impact the world, countries, companies and themselves. The activity can be adapted in various ways to help students not only gain awareness of global issues, but the relevance and impact these facets have on multiple stakeholders; it allows students to see the world from a global perspective.

**Exercise 2 - "Multicultural Quiz":** As the world is more interconnected through businesses, marketplaces, information flows, academics, economics, and media, a global mindset is essential for functioning and succeeding on the global stage. This activity builds on the premise that while country-specific knowledge is helpful in specifically directed situations, having the skills, attitude and mindset to deal with global issues through cultural adaptation can provide the basis for addressing the impacts of globalization and therefore being more effective in varied or distinct international situations. This ability is coined ‘Cultural Intelligence’ or ‘CQ’. CQ builds on the relation between general intelligence (IQ) and Emotional Intelligence (EQ) (Salovey and Mayer, 1990) to develop the "capability to function effectively in culturally diverse environments” (Earley and Ang, 2003). As an attitude and skill (Earley and Mosakowski, 2004), CQ is the measurement to determine an individual’s ability or potential ability to adjust to global and international scenarios as a form of cultural literacy essential for social communicating (Harth, 2006). Therefore, it is helpful to have students complete some type of test or evaluation of their cultural intelligence level. This activity can be used as a baseline checkpoint for the basic components of students’ CQ. It will allow students to recognize some of their strengths and weaknesses in dealing with cultural adaptation and help instructors determine future curriculum and training needs. This exercise can also serve as a good (and relatively quick) means to introduce and motivate the discussion on the requisite skills for being effective in the global business economy.

Most of the cultural intelligence tests contain material in several developmental areas including empathy, metacognition, cognition, motivation, intent, and behaviors (Earley and Ang, 2003; Earley and Peterson, 2004; and Ng, Van Dyne and Ang, 2008). The CQ approach can aid the intercultural education approach by focusing on cultural values through assessing and strengthening the knowledge, motivation, and skills of the individual students (Earley and Peterson, 2004) along with building a plan for future activities. Therefore, this quiz will provide a quick check of cultural intelligence in four components: cognitive, empathy, motivation/intent, and behavior. It should be noted that this activity has not been designed or tested for reliability but rather as a condensed version of existing inventories to motivate topical discussions.
**Exercise 3 - "World Traveler":** Gaining familiarity or sensitivity to international issues can begin with awareness into country-specific knowledge allowing students to gradually broaden personal insight through associative learning. This gradual process can allow for a more global perspective by demonstrating the need for openness to experience (McCrae and Costa, 1987) and the need for preparing for global and international immersion. This activity allows students to supplement their knowledge of foreign environments by researching multiple regions or cultures by identifying, analyzing and comparing/contrasting the socio-cultural, political/legal, technological, and economic factors of a culture or country through representations and connotations associated with artifacts, practices, rituals, stories, and symbols visible in cultures.

The exercise asks students to assume they will be traveling to multiple regions of the world. The regions can be assigned by the instructor, chosen by the individual students, or determined by chance. Once students have their region or combination of cultures for the assignment, they are to conduct research on objects, symbols, stories, heroes, ceremonies, etc. that represent the socio-cultural, political/legal, technological, or economic factors of the country, culture, or people. They will then use these specific categories found in the first culture and find ones which would correspond in the next two cultures (i.e. they found or focused on objects related to technology in the first country so they need to examine the technology in the next countries). This activity is a basis for developing code switching and "global dexterity" (Molinsky, 2012) to enhance their cultural intelligence.

**DISCUSSION**

A global perspective is an essential aptitude for working and living within the changing world order. While it would be ideal for all students to experience global dynamics by direct immersion in multiple cultures, it is not always a practical option. Yet with the inevitable impacts of globalization on all aspects of our lives in conjunction with the limited global awareness of students, there are alternate means for exposing students to the concepts of globalization and subsequently internationalization beyond study abroad programs. Experiential activities that address universal concepts of globalization can be easily incorporated into various topics and adjusted to meet interdisciplinary and educational needs. The key is starting the conversation on globalization through activities or means that best address your objectives and audience needs. The exercises presented at the conference have been used in various courses at various levels (graduate and undergraduate), jointly and individually, in successfully addressing the issue of globalization and internationalization and can provide pedagogical alternatives in meeting your educational goals.

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DOES A HIGH CONCENTRATION OF RETIREES SHIELD AGAINST ECONOMIC DOWNTURNS?
(Working Paper)

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ABSTRACT

This research assumes that older residents are an important economic entity that may not be fully appreciated by the community. “Seniors” are often portrayed as a drain on local healthcare systems, a dangerous addition to local roadways, and a net drain on local resources. These perceived difficulties may be more acute in geographic areas where seniors tend to migrate when they retire.

This study compares the relative importance of residents over the age of 64 to the local economies of Asheville, North Carolina, Las Vegas, Nevada, Myrtle Beach, South Carolina, and Orlando, Florida. It is assumed that each of these areas attracts retirees to such an extent that older citizens are a larger proportion of the area’s population and economic base than the average community. The presence of older residents in each community is assumed to enhance the economic activity to a greater degree than local leaders and younger residents may realize.

Variables addressed include impacts on housing, income, healthcare, retail sales, and spending patterns. Previous results indicate that the larger tourist economies of Las Vegas and Orlando do not benefit as much from older residents than the smaller destinations of Asheville and Myrtle Beach.

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WHY EARNINGS MANIPULATION: A FREE CASH FLOW APPROACH TO MANAGER’S MOTIVES

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Abstract:
The motives behind stock repurchases have been an important issue in recent years and number of repurchase announcements is growing exponentially over the last few years. Recently researchers have tried to discern the motives of open-market stock-repurchase in terms of discretionary accruals but any clear evidence is lacking. This study extend the existing literature in significant way by looking at free cash flow as percentage of repurchase announcement size as a determinant of managerial motive for type of discretionary accrual decisions. Our results support our hypothesis that free cash flow is an important determinant to discern the manager’s motive behind open market repurchases. We also show that firms with highest deficit need external financing as they do not have sufficient external resources to finance repurchase program meaning free cash flow available to firms at the time of repurchase is significantly lower than the repurchase program announced and they use income increasing discretionary accruals.

Key Word: Earnings Management; Banking Relation; Monitoring; Discretionary Accruals
THE RELATIONSHIP BETWEEN CASH FLOWS’ PREDICTIVE VALUE AND CASH FLOW VOLATILITY

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ABSTRACT

This study utilizes prior cash flow literature that compares accounting accrual estimates to actual cash flow components in assessing which is a better predictor of stock prices. Extant studies indicate that actual cash flows are a better predictor of security prices. However, recent studies interject the notion that cash flow volatility impacts investor decisions. The question that this study attempts to answer is: if cash flow volatility affects investor decisions, can it also affect the predictive ability on stock prices?

In an attempt to answer this question, a sample of firms is selected from the study period 1998-2012 and partitioned into below average volatility cash flow firms and above average volatility cash flow firms. Regressions are then run for these two groups, utilizing actual cash flow components, and compared to the same firms’ accounting accrual estimates for the same study period.

Results show that when firms are disaggregated by below average cash flow volatility and above average cash flow volatility, for the “below average volatility” firms, actual cash flows are a better predictor of stock prices than accounting accrual estimates, while in the case of “above average volatility” firms, accounting accrual estimates are a better predictor of stock prices than actual cash flow components.
EMPLOYMENT DISCRIMINATION LAWS: A COUNTRY LEVEL ANALYSIS

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ABSTRACT

Workers have a wide variety of protections from employment discrimination because of the varying laws in different countries. This study examines, compares, and contrasts employment discrimination laws in 39 countries of the world. We test a framework based on signaling theory that helps to explain how the number of employment discrimination laws in different countries enhances perceptions of voice and accountability of the citizens. Using hierarchical regression we found that positive relationship between employment discrimination laws and voice and accountability perceptions is moderated my cultural value of assertiveness such that the intensity of this relationship will be more positive for countries that are high on assertiveness than the countries that are low on assertiveness. Our findings also suggest that the positive relationship between number of discrimination laws and voice and accountability perceptions is moderated by female percentage of populations such that the intensity of this relationship will be positive where female are low in percentage and it becomes insignificant where female are high in percentage as compared to male population.
AFFORDABLE CARE ACT: STRENGTHENING REVENUE CYCLE MANAGEMENT

Angela R Wells

Abstract

Revenue cycle management has many varying definitions. But, all agree on the basic idea that it is simply the steps taken to ensure that you get paid for what you do and in time. It is a process that uses technology to track and manage processing of claims, payment and revenue generation (Healthcare IT News, 2014; Green & Rowell, 2013). In this context, it will mean the hospital or the physician gets paid by the patient for the service offered. The cycle begins when the patient calls for a physician’s office for an appointment, the staff asking in the details of the patient and ends when the patient balance on their account reads zero.

There are, however, several reasons, which may break the cycle. For instance, the patient for health insurance and wrong data entry, due to human error among others can cause potential missed revenue opportunities. The Affordable Care Act (ACA), also, known as Obamacare or Patient Protection and Affordable Care Act (PPACA) that became functional in 2010 has several goals, according to many sources (Tate, 2012; Gray & Sullivan, 2011; U.S. Department of Health & Human Services, 2014; Atlas, 2010). But, in summary, its aim was to increase the affordability of health insurance, reducing costs of healthcare and increasing its coverage.

Therefore, in line with Revenue Cycle Management, is apparent that costs of healthcare are reduced in ACA (Nowak et al., 2013). This enables many people (such as low income
earners) to afford going to hospitals and paying for the services without using actions, supposing the costs were high. Insurance companies have patients’ data and through the systems, it will be easy to determine the correctness of data entry and their eligibility. Further, the hospitals will deal directly with the insurers when following claims. In sum, ACA strengthens RCM a great deal.

**Keywords:** Revenue Cycle Management, Affordable Care Act, Healthcare insurance, healthcare costs, healthcare coverage.

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