
ABSTRACTS**1. IMPACT OF DIVIDEND ANNOUNCEMENT OVER SHAREHOLDERS' WEALTH:
A CASE OF EMERGING STOCK MARKET OF BANGLADESH**

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ABSTRACT

In this paper, we analyze the effect of dividend announcement on the share price at Dhaka Stock Exchange (DSE). As a matter of fact dividend announcements usually are considered as the positive signal to the shareholders and its positive impact on the share prices is also expected. Using an event study methodology we find that despite of investors do not gain significant value in the period preceding as well as on the dividend announcement day, yet they can gain value in the post announcement period. Investors do shift their security positions at the time of dividend announcement, which indicate that in post announcement period there is a possibility of information content in dividend announcement in DSE.

Keywords: dividend announcement, Dhaka Stock Exchange

**2. FREE CASH FLOW, LEVERAGE, AND PERFORMANCE:
EVIDENCE FROM CANADIAN ACQUISITIONS**

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ABSTRACT

We examine Jensen's free cash flow (1986) prediction that capital structure does matter to performance in the case of acquisitions. Namely, the agency problem of free cash flow wasted on acquisition projects is reduced through increased use of debt. We examine operating performance for a sample of 569 Canadian acquirers during the period 1996-2000. Using cash to asset levels to proxy for high free cash flow firms, we find that cash rich firms experience significant declines in ROA, ROE and efficiency performance after their acquisitions. Their declines are greater than those of the whole sample and than cash poor firms. We find that leverage increasing acquisitions do increase performance, and there is a significant difference in performance between leverage increasing and decreasing acquisitions. Regression analyses show similar results and point out leverage having the most explanatory power on ROE and ROA. Cash rich firms, however, experience asset efficiency improvements while cash poor firms' asset efficiency deteriorates after merger, on average. Our findings support both free cash flow and capital structure, as well as efficiency-based, predictions on performance.

Keywords: Corporate finance, mergers, acquisitions, Canada, free cash flow, debt structure, operating performance.

3. WHAT DETERMINES THE CAPITAL STRUCTURE OF THE LARGEST BRAZILIAN FIRMS? AN EMPIRICAL ANALYSIS USING PANEL DATA

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ABSTRACT

This paper sought to analyze some of the supposed determinants of capital structure of the largest Brazilian firms, in light of the Pecking Order theory and the Trade-Off theory, testing the empirical validity of these theories in the local scenario. The study is an adaptation of the paper developed by Gaud et al., (2005) in Switzerland, whose work served as a basis for the choice of some variables and of the econometric tests conducted, and uses the Panel Data methodology. Dynamic tests were carried out in addition to static tests, aiming to analyze the adjustment process of the capital structure over time, toward an assumed optimal target level. The tests were supplemented by analyses of variance. The results demonstrated that leverage is negatively related to the importance of tangible assets and to profitability, while it is positively related to business risk. They also demonstrated that foreign companies are more in debt than local firms. The analysis suggests that the Pecking Order theory is more consistent than the TradeOff theory to explain the capital structure of the largest Brazilian firms. The dynamic analysis showed a slow adjustment process of the capital structure towards the target level, suggesting the existence of high adjustment costs and confirming the Pecking Order behavior of managers.

Keywords: Dynamic Panel Data, Capital Structure, Trade-Off theory, Pecking Order theory

4. EFFECT OF BONUS ISSUE ANNOUNCEMENT ON STOCK RETURNS USING MARKET MODEL

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ABSTRACT

This study examines share price reaction to the announcement of Bonus Issue for a sample of Indian Software and Finance firms. Standard event study methodology has been used for the purpose of studying the Bonus issue announcement reaction. Bonus issue announcement yields negative abnormal returns around the announcement date in the case of finance sector. The market is semi strong form efficient for finance sector but it is not so, for the software sector. The announcement yields no significant returns for the software sector, which implies that bonus issue announcement has no significant impact on the investors' sentiments. The study supports signaling hypothesis and cash substitution hypothesis.

Keywords: Event study, Bonus issue, Stock Returns, Market Efficiency, Signaling hypothesis, Industry Effect

5. DETERMINANTS OF CORPORATE INVESTMENT IN INDIA

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ABSTRACT

This study looks at whether capital structure theory is portable across countries with different institutional structures. We use firm level data from India to test the role of asymmetric information and government

sponsored bank lending in the financing decisions of firms. Our preliminary analysis shows that Indian firms rely less on internal finance and more on long-term debt to finance their investments. Based on time-series data for the Indian corporate sector for the period 1971-2000 from the company finance database of the Reserve Bank of India for medium and large non-government, nonfinancial public limited companies we estimate the investment demand function. Our findings show that availability of internal finance, access to debt finance and other financial variables have considerable bearing on firms' investment decisions.

Keywords: Asymmetric information, internal finance, institutional structure, investment demand

6. DOES THE STOCK MARKET MATTER FOR THE DETERMINATION OF BOND YIELDS? EVIDENCE FROM INDUSTRIAL NATIONS AND EMERGING MARKETS

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ABSTRACT

The usefulness of stock market indices in predicting long-run domestic bond yields was tested, embedded in a larger model for analysing the domestic and international determinants of bond rates. Estimations were carried out for a composite sample of industrial countries and emerging market nations. Quarterly data for the 1990 to 2006 period, and monthly data for the 2000 to 2006 period were used.

A role for equity prices in this regard was noted for Spain, Italy and Germany. Italy and Japan were noted to be relatively less financially integrated globally, in terms of long-run bond yields, while a high degree of integration was obvious in the case of Ireland, Thailand and the United Kingdom, with domestic factors having virtually no role in the determination of domestic bond yields. Financial integration with the global (U.S) economy is seen to have increased for all countries, in general, in the post-2000 period.

Keywords: Stock prices, bond yields, determinants, and financial integration.

7. COST OF EQUITY IN EMERGING MARKETS: THE CASE OF ARGENTINA

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ABSTRACT

We compare the forecasting ability of a multifactor expression that includes micro risk factors conditioned by time-varying macro risk factors, to simpler nested unconditional models. We find that local and global risk factors are instrumental in describing the return-generating process of Argentine equities. We conclude that pricing Argentine equities should focus more on incorporating expected changes in local and global macro factors, rather than identifying unconditional micro (firm specific) effects.

Keywords: Argentina, Equity Return, Multifactor Model, Emerging Markets

8. BIG BATH AND EARNINGS MANAGEMENT

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ABSTRACT

Do many firms really take a big bath frequently? To address this question, we examine the earnings management of firms by using a sample of all U.S. public firms with data from 1980 to 1997 to focus on the pre-Internet bubble period. Using discretionary current accruals as a proxy for earnings management, we find that about 30% of our sample firms take a big bath by reporting their earnings downward while the other 10% manage their earnings upward during the sample period. Our empirical results suggest that firms with poor past-performance perform well by taking a big bath over subsequent periods. Our results also indicate that the magnitude of return reversal for firms managing their earnings downward is 0.381 % per month greater than the return reversal of firms inflating their earnings. We suggest that some poorly performing firms in the past successfully take a big bath by reporting earnings downward to focus on future returns.

Keywords: Big bath, Earnings management, Return reversal, future returns

9. INITIAL PUBLIC OFFERINGS: INTRODUCTION OF NEW GOODS

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ABSTRACT

I examine a costly retaliation mechanism used by uninformed investors in the subsequent periods to force insiders to reveal the value of their firms during the initial public offering (IPO). I show that the combination of repeated selling, coupled with the retaliation mechanism guarantees the unique separating equilibrium that survives the intuitive criterion of Cho and Kreps (1987). I also show that underpricing is an immediate consequence of the threat of the market retaliation during the second period

Keywords: IPO, underpricing, information, product quality, repeated selling

10. POLITICAL-CYCLES IN US INDUSTRY RETURNS

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ABSTRACT

After correcting industry returns for general market movements and known risk factors, using either the Single-Index or the Fama-French three-factor model, we find no evidence of two well known political effects documented for general stock market returns in the United States. Contrary to the general market, adjusted industry returns do not show a significant or consistent underperformance under Republican presidents. Contrary to general market indices, adjusted industry returns do not exhibit significant or a consistent presidential election cycle effect. Our results defy popular belief that some industries perform consistently better under either Democrats or Republicans, and suggest these two political effects are market wide phenomena whose explanation should be sought at a macro economic level.

Keywords: Market efficiency, Industry returns, Presidential cycle, Political business cycle
