

CORPORATE OWNERSHIP & CONTROL

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EDITORIAL

Dear readers!

Current special issue of the journal *Corporate Ownership and Control* is devoted to the International conference "Financial Distress: Corporate Governance and Financial Reporting Issues" in Rome, Italy, October 17-18, 2013. The world is recovering from a period of tremendous turmoil and instability in the capital markets, it is more important now than ever that governance system, regulations and accounting standards promote right decisions, policies and transparent financial statements that support sustainability and safe economic development. Weak accounting and not accurate financial reporting led companies to wrong governance decisions that provoked an enormous catastrophe which still echoes for the global economy. One of the major problems in modern business world is that most stockholders are divorced from the running of the business so they may not have the appropriate level of knowledge to assess their management's stewardship of their assets. This agent-principal problem can be solved by proper accounting and reporting practices and further improvement of governance standards. So ensuring the integrity of the essential reporting and monitoring systems will require boards of directors to set and enforce clear lines of responsibility and accountability throughout the organization. The main aim of the conference was a search for an effective relationship between management, financial reporting and stability of the economic system in crisis and post-crisis conditions by creating meaningful proposals by representatives of different research schools, regulatory bodies and practitioners.

This issue pays attention to the problems of auditors decisions, audit and corporate governance, liquidity stress, risks, Greek banking system, Egyptian companies and their annual reports, Italian companies, Spanish listed firms, economic crisis, accounting paradigms etc.

Mohamed Abulgasem Zakari investigates the extent of sufficiency and appropriateness of audit evidence obtained by auditors in the Libyan context. Particularly, his study examines the effects of the types of evidence on the quality of auditor's decision. *Electra Pitoska* states that it seems that the Greek banking system successfully went through the crisis and now follows a course of a restructuring process and the restructures are vital in order to manage an eventual restoration of normal funding circumstances in the real economy. *Bassam Baroma* tests the relationship between numbers of variables representing firm characteristics (structure-related variables) and the extent of voluntary disclosure levels (forward-looking disclosure) in the annual reports of Egyptian firms listed on the Egyptian Stock Exchange. *Francesca Bernini, Giovanna Mariani and Delio Panaro* carried out an empirical research on a sample of 98 Italian companies continuously listed during 2005-2011. They examined the relation between the different CG variables and some measure of performance and risk. *Guido Stein, Manuel Gallego and Marta Cuadrado* advance research on CEO succession and board monitoring of senior executives by examining how proprietary directors can affect the probability of CEO dismissal. *Massimo Costa and Giusy Guzzo* suggests a theoretical framework, using the basic concept of "accounting system", for the choice between the opposite paradigms, considered noteworthy in times of crisis as it should allow to conceptualize a 'mixed system', combining Fair Value Accounting and Historical Cost Accounting in different ways according to the different contexts and entities reported by the financial statements. *Alessandro Mechelli and Riccardo Cimini* aim to investigate the effect produced by the adoption of IAS/IFRS on earnings management in European Union.

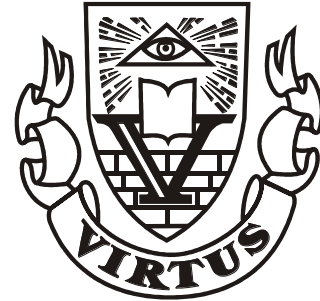
We hope that you will enjoy reading the journal and in future we will receive new papers, outlining the most important issues and best practices of corporate governance!

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Mohamed Abulgasem Zakari

This paper investigates the extent of sufficiency and appropriateness of audit evidence obtained by auditors in the Libyan context. Particularly, this study examines the effects of the types of evidence on the quality of auditor's decision.

A questionnaire was used to collect data regarding the perceptions of the external, internal, state and taxation auditors on the effect of evidence type on auditor's decision. To confirm and support the questionnaire findings semi-structured interviews were conducted with four target group.

The results of the study indicate that evidence type has an impact on auditor's report. The research makes a significant contribution to knowledge and practise in the auditing field in emerging countries. This is especially important given the changing economic climate in Libya and findings from this research can be applied to other emerging economies.

THE GREEK BANKING SYSTEM, THE LIQUIDITY STRESS AND THE ENTREPREUNAL INSECURITY

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Electra Pitoska

According to a report by the Director of the Bank of Greece, during the past few months there have been signs that the Greek economy has entered a phase of balance and that it will possibly claw its way back to viability in the next year.

It seems that the Greek banking system successfully went through the crisis and now follows a course of a restructuring process. The restructures are vital in order to manage an eventual restoration of normal funding circumstances in the real economy.

Despite the careful optimistic reports of the government concerning the economy, the reality of the economic and entrepreneurial world is rather different. More particularly, according to the results of researches, seems that the vast majority of the enterprises are in a really bad situation.

The situation of most of the Greek enterprises is bad as they face many problems, such as: liquidity, access to bank funding, difficulties and delays in entering state programs or special funding programs, reduction of their turnover and difficulties in collecting overdue debts from their customers.

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Bassam Baroma

The main objective of this study is to test the relationship between numbers of variables representing firm characteristics (structure-related variables) and the extent of voluntary disclosure levels (forward-looking disclosure) in the annual reports of Egyptian firms listed on the Egyptian Stock Exchange. This study uses empirically investigate hypothesized impacts of structure-related variables on the extent of forward-looking disclosure.

This study uses a list of forward-looking keywords to determine the differences in the level of forward looking disclosure between firms in different sectors. The sample includes 49 non-financial firms listed on the Egyptian Stock Exchange for the years 2008, 2009 and 2010. Statistical analysis is implemented using a multiple linear regression analysis.

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Francesca Bernini, Giovanna Mariani, Delio Panaro

In this work we carried out an empirical research on a sample of 98 Italian companies continuously listed during 2005-2011, with the objective of deepening the analysis : we tried to verify the role played by the Corporate on performance and default risk, with the definition of an index of good Governance (scG); we tried to verify the variables of Corporate Governance that produce effects on performance and risk of default (Z-score and leverage); we tried to verify the difference of effects of Corporate governance Index on performance and risk for family business and for companies active in M&A; we conducted an analysis on a sample of Italian companies to measure Corporate Governance quality and to evaluate the relationship with the accounting and market performance and the effect on risk level.

We find that The Corporate Governance quality presents some correlation with performance and risk parameters. The non family companies are better structured. They show a positive correlation between some Corporate Governance drivers and performance and Z-score. We can observe that le "well-advised" firms in external strategies are able to obtain a better correlation with performance and also a good relation with Z-score.

This study can suggest the definition of Corporate Governance Index according to the need to evaluate the opening to shareholders and stakeholders. We examine the relation between the different CG variables and some measure of performance and risk.

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Guido Stein, Manuel Gallego, Marta Cuadrado

This study advances research on CEO succession and board monitoring of senior executives by examining how proprietary directors can affect the probability of CEO dismissal. Drawing on our newly developed database covering all CEO successions occurring in all Spanish listed firms during the period 2007-2010, we propose that proprietary directors may increase the board's monitoring efforts over the chief executive, forcing him to resign in situations of poor performance. Hypotheses are tested longitudinally, using CEO succession data taken from 111 publicly-traded firms in the Spanish 'mercado continuo' over a four-year period.

FAIR VALUE ACCOUNTING VERSUS HISTORICAL COST ACCOUNTING: A THEORETICAL FRAMEWORK FOR JUDGMENT IN FINANCIAL CRISIS 147

Massimo Costa, Giusy Guzzo

Since the 2008 global economical and financial crisis, the fair value measurement has acquired a controversial position both within the accounting regulatory committees and the accounting theory. The literature generally examines two opposite central paradigms of evaluation, namely the Fair Value Accounting (FVA) and the Historical Cost Accounting (HCA). The paper, after a literature review through both these opposite sides, suggests a theoretical framework, using the basic concept of "accounting system", for the choice between the opposite paradigms, considered noteworthy in times of crisis as it should allow to conceptualize a 'mixed system', combining FVA and HCA in different ways according to the different contexts and entities reported by the financial statements.

HOW HAVE THE IAS/IFRS ADOPTION AFFECTED EARNINGS MANAGEMENT IN EU? THE EFFECT OF THE ABSENCE/DIVERGENCE OF REGULATION AND OF LEGAL ENFORCEMENT 154

Alessandro Mechelli, Riccardo Cimini

This paper aims to investigate the effect produced by the adoption of IAS/IFRS on earnings management in European Union. Authors calculate four indexes for the periods 2000-2003 and 2006-2009 to identify different reasons that could lead insiders to manipulate earnings and by comparing them researchers observe that the IAS/IFRS first-time adoption produced different effects on earnings management depending on the countries analysed and the kind of earnings management investigated. Moreover, while authors find a positive relation between the reduction of earnings management and the extent to which IAS/IFRS regulates issues not covered by domestic standards, on the contrary they do not find any relation between such reduction and the existing divergence between domestic standards and IASB standards. Finally, authors' findings also show a positive and significant relation between the reduction of the earnings management and the level of the legal enforcement of each country.

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