

**CORPORATE
OWNERSHIP & CONTROL**

**КОРПОРАТИВНАЯ
СОБСТВЕННОСТЬ И КОНТРОЛЬ**

Postal Address:

Postal Box 36
Sumy 40014
Ukraine

Tel: +380-542-611025
Fax: +380-542-611025
e-mail: alex_kostyuk@mail.ru
alex_kostyuk@virtusinterpress.org
www.virtusinterpress.org

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Почтовый адрес редакции:

Почтовый ящик 36
г. Сумы, 40014
Украина

Тел.: 38-542-288365
Факс: 38-542-288365
эл. почта: alex_kostyuk@mail.ru
alex_kostyuk@virtusinterpress.org
www.virtusinterpress.org

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EDITORIAL

Dear readers!

This issue of the journal is devoted to several issues of corporate governance.

Hugh Grove and *Tom Cook* have shown in their paper that weak corporate governance facilitated both classic and recent financial reporting frauds, particularly the following factors: all-powerful CEO, weak system of internal control, focus on short-term performance goals, weak or non-existent code of ethics, and questionable business strategies with opaque disclosures. These factors implied ineffective boards of directors and audit committees. New corporate governance guidelines for boards and audit committees by the U.S. stock exchanges and the Sarbanes-Oxley Act appear to have good potential for strengthening corporate governance to help prevent earnings manipulations and fraudulent financial reporting. These new regulations should continue to strengthen strong corporate governance and control systems, especially in relation to the ten timeless factors for fraudulent financial reporting.

Marco Carone concluded that an explanation of the different approaches to minority shareholders' protection in British law as compared to the Italian and Chinese ones may be found in different path-dependence dynamics. At the same time, however, the introduction of provisions aimed at protecting minority shareholders in Italian and Chinese law should be considered as an evolution towards higher corporate governance standards: an evolution triggered by the global convergence of different legal systems, where "global convergence" means the acknowledgement, by different legal systems, that certain issues should be regarded to as priorities, being it understood that they are addressed differently in each jurisdiction due to path-dependence reasons

Theresa Cho found out that a drastic increase in managerial discretion over a short period would lead to fundamental effects on different facets of executive compensation. The findings from this study generally supported the managerial discretion theory in this regard, while rendering additional insight into the dynamics of compensation change in the context of an environmental change.

Felix Zeidler and *Dirk Schiereck* by conducting standard event study methodology and analyzing 90 European trade-sale privatizations documented that acquirers in a privatization context yield significant positive abnormal stock returns.

Carsten Rohde identifies a number of differences in the treatment of costs and expenditures in activity-based costing (ABC) and a management accounting system based on the managerial economics model. Using a numerical example, the paper demonstrates the resulting cost distortions in ex ante ABC models and their profitability segments when costs are non-linear and in situations where opportunity costs are relevant. The paper also shows how these distortions can be avoided in a budget layout based on managerial economics.

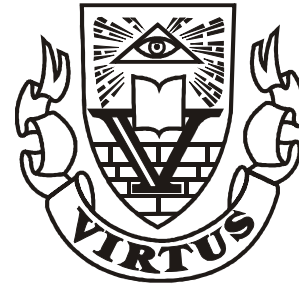
Juliano Lissoni, *Maurício Fernandes Pereira*, *Fernando Serra*, *João Benjamim da Cruz Jr.* researched the lifecycle of family business (FB); family, ownership and business. This article's purpose is to show how the 7 Ss Framework can be used to identify different aspects of FB behavior during its lifecycle, together with the three-dimensional lifecycle model as a tool to identify changes that influence both growth and the process of building a "well-performing" organization. The proposed model was tested in a family business in Brazil (RBS Group).

Sung S. Kwon, *Brian G. Gaber*, *Peggy Ng* examine the value-relevance of primary accounting information and the size of earnings management concurrently for high-tech versus low-tech firms. Specifically, the results reveal that earnings and changes in earnings of high-tech firms reflect lower levels of security price reactions and associations than those of low-tech firms. In addition, consistent with evidence from prior research, greater levels of earnings management, measured by modified Jones and performance-matched discretionary accruals (proxies for earnings management), exist for high-tech firms vis-à-vis low-tech firms over the sample period.

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