

**CORPORATE  
OWNERSHIP & CONTROL**

**КОРПОРАТИВНАЯ  
СОБСТВЕННОСТЬ И КОНТРОЛЬ**

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## EDITORIAL

*Dear readers!*

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

C. S. Agnes Cheng, Denton Collins and Henry Huang investigate whether the Standard & Poors (S&P) transparency and disclosure (T&D) rankings represented new information to the financial markets when the results of the study were released by S&P on October 15, 2002. The S&P T&D rankings report the relative levels of three disclosure dimensions (ownership structure and investor rights, financial transparency and information disclosure, and board and management structure and process) provided by firms in their annual reports (annual report rankings) and complete regulatory filings (composite rankings).

Putu Anom Mahadwartha and Fitri Ismiyanti argue that disciplinary role exist in debt policy with the use of free cash flow hypothesis. Their research explores the implications of free cash flow hypothesis concerning the disciplinary role of ownership structure in corporate debt policy. Their study uses 1264 observation of 154 listed Indonesian firms between the years 1995 until 2003. The relation between debt and free cash flow are positive, but the relation differs between low-growth firms and high-growth firms. Internal institutional shareholders discourage managerial perquisites using debt. The result of their research support the free cash flow hypothesis and balancing of agency theory through ownership and there is disciplinary role of ownership structure in debt policy.

Faizul Haque, Thankom Arun and Colin Kirkpatrick outline a conceptual framework of the relationship between corporate governance and two important determinants of capital market development namely, a firm's access to finance, and its financial performance. The framework assumes that a firm's corporate governance is simultaneously determined by a group of related governance components and other firm characteristics. The framework is primarily based on the economic approaches to corporate governance, although it recognises part of the assumptions of the stakeholder theory and the political economy aspects of corporate governance.

Jamie D. Collins, Klaus Uhlenbruck and Christopher R. Reutzel explore a potentially significant impediment facing entrepreneurial firms as they attempt to augment and utilize their relationships with other firms. They specifically explore the influence of status differences between firms' representatives. They further discuss factors that moderate this influence. Entrepreneurial firms attempting to convert existing weak ties into strong ties with better established firms are most likely to encounter problems due to social status differences between the firms' representatives. Thus, their ability to rely on the positive aspects of

social capital in governing inter-firm relationships is hampered.

Vernon P. Dorweilera and Mehenna Yakhou describe past conduct of corporate officers, in their use of corporate assets, including reputation. The paper uses a literature review to describe corporate officer actions, and identify impacts on the corporate reputation and its leaders. Findings are presented in exhibit form, as (a) assigning criminal liability, and (b) the range and detail of sanctions to be imposed.

Zulkarnain Muhamad Sori, Mohamad Ali Abdul Hamid, Siti Shaharatulfazzah Mohd Saad and Jonathan Gerard Evans investigate the perceptions of senior managers of Malaysian publicly listed companies on issues relating to audit committee authority and effectiveness. Questionnaire survey technique was employed to seek the respondents perceptions on seven issues, namely audit committee appoints the auditor, audit committee determines and reviews audit fees, audit committee determines and reviews the auditor's scope and duties, and audit committee's reports, meetings, charter and roles. The majority of respondents agreed that auditor would be more effective and independent if audit committee assumed the responsibility to appoint the auditor, determine and review the audit fees, and determine and review the external auditor's scope and duties. It is also found that disclosure of audit committee report, quarterly meeting and disclosure charter in annual report would enhance the perceptions of users of financial statement concerning the effectiveness of the committee.

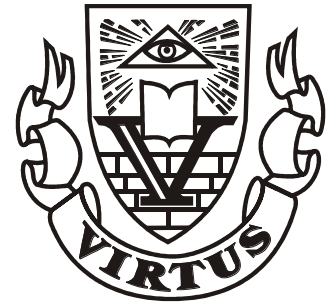
Cláudio R. Lucinda and Richard Saito provide insights on the determinants of the indebtedness of Brazilian companies. Initially, this paper replicates the main empirical tests on the literature. The reduced explanatory power of the results led authors to propose a new methodology using the GMM method of Blundell and Bond (1998), which points out companies with higher proportions of fixed assets on total assets present higher indebtedness. Their results indicate that estimation of the equations implied by the target leverage model tends to generate seriously biased estimates if the endogeneity of the covariates is not explicitly considered in the analysis.

Francisco J. Callado-Muñoz and Natalia Utrero-González add to the recent debate in corporate social responsibility (CSR) and its effects on performance and firm value. By analysing Spanish companies participating in the IBEX-35 stock-exchange index, this paper empirically tests whether there is a significant price reaction to environmental friendly announcements. Using event studies methodology, the distinction among sectors allows for a better understanding of investors reaction. Results show first, that investors do act in response to this kind of practices and second, that the sign of their reaction depends crucially on the business of the firm and the sector where it operates. In this sense, results may help in reconciling the opposite views regarding the effects of CSR policies.

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