

**CORPORATE
OWNERSHIP & CONTROL**

**КОРПОРАТИВНАЯ
СОБСТВЕННОСТЬ И КОНТРОЛЬ**

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Journal Corporate Ownership & Control is published four times a year, in September-November, December-February, March-May and June-August, by Publishing House "Virtus Interpress", Kirova Str. 146/1, office 20, Sumy, 40021, Ukraine.

Information for subscribers: New orders requests should be addressed to the Editor by e-mail. See the section "Subscription details".

Back issues: Single issues are available from the Editor. Details, including prices, are available upon request.

Advertising: For details, please, contact the Editor of the journal.

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Corporate Ownership & Control

ISSN 1727-9232 (printed version)
1810-0368 (CD version)
1810-3057 (online version)

Certificate № 7881

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Журнал "Корпоративная собственность и контроль" издается четыре раза в год в сентябре-ноябре, декабре-феврале, марте-мае, июне-августе издательским домом Виртус Интерпресс, ул. Кирова 146/1, г. Сумы, 40021, Украина.

Информация для подписчиков: заказ на подписку следует адресовать Редактору журнала по электронной почте.

Отдельные номера: заказ на приобретение отдельных номеров следует направлять Редактору журнала.

Размещение рекламы: за информацией обращайтесь к Редактору.

Права на копирование и распространение: копирование, хранение и распространение материалов журнала в любой форме возможно лишь с письменного разрешения Издательства.

Корпоративная собственность и контроль

ISSN 1727-9232 (печатная версия)
1810-0368 (версия на компакт-диске)
1810-3057 (электронная версия)

Свидетельство КВ 7881 от 11.09.2003 г.

Виртус Интерпресс. Права защищены.

EDITORIAL

Dear readers!

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

Antonio Carlo Francesco Della Bina explores in the value of financial analysts' recommendations on Italian listed firms. Italy is an interesting case since analysts have to compulsorily send their reports to the Stock Exchange Commission on the same day they are available to their private clients ("report date"). Then, reports are available to the public within a period of sixty days on the Stock Exchange website ("public access date"). Exploiting this regulatory peculiarity and the unique database formed directly analyzing analysts' reports, two distinct short-term event studies are performed finding a significant market reaction both in terms of volumes and returns around the report date. General implications for event study research design, highlighting some problems in commercial databases are also provided.

Normah Omar, Rashidah Abdul Rahman focus on corporate social responsibility-based corporate governance (CSR-based CG) reporting that is purely based on information divulged in the annual reports of the country's top 100 public listed companies (PLCs) by market capitalization. It highlights the companies with the highest scores vis-à-vis reporting on their CSR-based corporate governance practices and the areas in which they excel in. The annual reports of these companies have either been obtained directly from the organizations concerned or from their respective websites via links from Bursa Malaysia. A CSR-based Corporate Governance Score Checklist is used in ensuring consistency in analysing the annual reports. A 5-point Likert Scale is used to measure the CSR-based CG attributes, a "5-point" score denotes the maximum level of compliance and acceptance of the gauged attributes for CSR-based CG reporting whilst a "1-point" score represents low or no compliance.

Ashutosh Dash notes that corporations being powerful institutions must be more accountable for their business policies and practices as their activities, for better or worse, have a significant impact on individuals, whole communities and society at large. But unfortunately, Capitalism at the beginning of the 21st century with overemphasis on economic performance has evolved the rule of unproductive economic activities, exploitation of customers, illegal monopolies, political patronage and personal gains. The observed inconsistency between the role and rule of business, being detrimental to the society has raised a concern about implementing business governance that would integrate value framework, ethical framework and moral framework under which business decisions are taken. To comply with the moral standards for optimizing the outcome for directly negotiating parties the corporate need to

adopt a dual goal concept: a strategic goal and moral goal. An ideal situation is possible once the ethical perspectives of a business is internalised through value-based negotiations and exchanges at all levels, social, political and symbolic; hence broad objective of this paper is to put forward some guiding principle for the business firms to evolve responsible behaviour and avoid bad governance and business related violence.

Rozainun Abdul Aziz, D.F. Percy, Faizal Mohamed Yusof attempt to give explanations for and cost effects of imperfect forecasts, an oversight which frequently occurs to management, a necessity in sustainability. Previous observations through pilot study, postal survey, case study and a follow-up survey form as a basis in formulating the mathematical model (Aziz-Khairulfazi, 2004). They use of probability distribution against point forecasts, the cost function and fundamentals of Bayesian methodology in approach towards sustainable performance. The model explains the use of probability distribution against point forecasts, the cost function and fundamentals of Bayesian methodology in approach towards sustainable performance.

Margaret Tan, Chu Keong Lee, Wai Chong Chan, Su Haw Koh, Sugihardjo explore inter-locking directorates among mainland Chinese companies listed on the Singapore Exchange (SGX). This study also seeks to understand if these mainland Chinese companies were different from those Chinese companies in Singapore in terms of the social network structure of its board of directors. It has been well known and indeed as part of the Chinese culture, the concept of *quanxi* or social networking is important. However, in the context of corporate governance, the concern is if too many directors are interlocked, will the concept of *quanxi* be counterproductive in the practice of attaining high standards of governance of the listed companies.

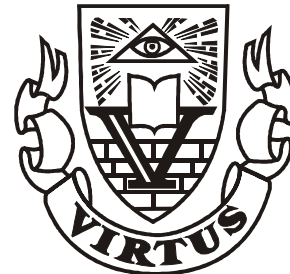
Said Elfakhani, Ola Kurdi test the earnings-smoothing and the debt-equity hypotheses using a sample of Canadian firms engaging in sales of long-lived assets and investments assets. findings show there is a negative relationship between income from asset sales and change in earnings per share exclusive of income from asset sales, as well as a positive relationship between leverage (proxied by debt-equity ratio) and income from asset sales. Yet, Canadian firms also report zero income or losses more often than gains as opposed to mostly gains from such sales reported by US firms, suggesting that they may be using asset sales proceeds for other corporate governance-related reasons than earnings smoothing, including Canadian tax policies (when selling fixed-assets), liquidity needs, avoidance of debt covenants violation, and level of management bonus plans.

Patrice Gélinas, Lisa Baillargeon depart from this view and propose that disclosure regulation may also be used by national authorities as a protectionist mechanism to indirectly charge for access to national scarce resources and thereby extract economic rents from resources-needy entities. This increases national welfare, but is inefficient globally.

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