



University of Otago

2021 (Oct) PhD Workshop

Department of Accountancy and Finance, Otago Business School

Program for 2021 (Oct) PhD Workshop

Department of Accountancy and Finance, Otago Business School

1:00-4:00pm, 19 October 2021 (Tuesday), Zoom

Organizer: Dr. Xinfeng Ruan

Note: Every presenter will be assigned 6 minutes (5 minutes speech plus 1 minute Q&A)

Zoom Link: <https://otago.zoom.us/j/96169284919?pwd=NEtIMitxY3NNc2wyZGJTUkt4Q2tnZz09>

Zoom ID: 961 6928 4919; Password: 123456

PhD Presentations

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| 2 | Presenter: Sampath Kongahawatte Title: Overnight versus Intraday Momentum and Investor Heterogeneity |
| 3 | Presenter: Wei Lin (Recording) Title: SPX, VIX, VXX option pricing under Ornstein-Uhlenbeck stochastic volatility: A linear model |
| 4 | Presenter: Khurshid Ali Title: The impact of climate change actions on the cost of debt financing |
| 5 | Presenter: Pakorn Aschakulporn Title: Bakshi, Kapadia, and Madan (2003) Risk-Neutral Moment Estimators: An Empirical Analysis |
| 6 | Presenter: Thilini Arachchige Title: Social Networks, Information Technology, Intellectual Capital and Value Creation in the Public Sector |
| 7 | Presenter: Iftekhhar Ahmed Title: Microfinance Institutions' Performance under Climate Distress |
| 8 | Presenter: Xiaolan Jia (Recording) Title: Covariance risk premium |
| 9 | Presenter: Siamak Ansari Title: Practice-driven institutionalization of management accountants' business partnership |

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| 25 | Presenter: Indira Venkatraman Title: A Study of the measurability and performance indicators in Climate Action Plans, modelled on index methodology and UN Sustainability Development Goals |

PhD Introductions

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|-------|--|
| 26-27 | Arung Mayapada, PhD in Accounting, Start Date: 01/09/2021 Weiham Li, PhD in Finance, Start Date: 01/10/2021 |
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Absence

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|-------|---|
| 28-30 | Mahnoor Sattar, PhD in Finance (thesis submission) Helen Parkes, PhD in Finance (deferral) Hiruni Rathwatta, PhD in Accounting (deferral) |
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Abstracts

Title: Accounting for Economic Income

Max Yap, PhD in Accounting

Abstract

In this dissertation, I advance the thesis that income is an inherently subjective concept, except in very limited circumstances. For financial accounting to report a true and fair picture that meets the needs of various stakeholders, the current GAAP framework needs to be modified. The General-Purpose Financial Statements should include a statement additional to the five currently being required (i.e. Position, Performance, Changes to Owners' Equity, Cash-Flows, and Notes). That fifth, additional statement will account for the expectations of the entity's manager concerning income at the end of the accounting period.

Title: Overnight versus Intraday Momentum and Investor Heterogeneity

Sampath Kongahawatte, PhD in Finance

Abstract

This study investigates overnight (intraday) momentum, the offsetting cross-period reversals, and investors' trading behaviour that drives these phenomena. Using Korean equity market trading flow data, we show that retail investors (domestic institutions) are overnight (intraday) momentum traders and intraday (overnight) contrarian traders. This trading behaviour is consistent with retail investors' attention-driven trading. Further analysis suggests that retail investors' trading behaviour does not drive overnight momentum returns when the market-wide sentiment is low during down markets and global financial crises.

Title: SPX, VIX, VXX option pricing under Ornstein-Uhlenbeck stochastic volatility: A linear model

Wei Lin, PhD in Finance

Abstract

In this paper, we first consider the problem of consistently pricing SPX, VIX, and VXX options under stochastic volatility models, focus on the linear approximation of the two process known as exponential Ornstein-Uhlenbeck. Finally, we analyze their pricing performance, and the ability to forecast implied volatilities.

Title: The impact of climate change actions on the cost of debt financing

Khurshid Ali, PhD in Accounting

Abstract

The purpose of this study is to empirically investigate the impact of climate change actions on the cost of debt financing. The sample of the study includes constituent companies of S&P 500 index over the period of 2005 to 2020. The findings reveal a negative and statistically significant relationship between climate change actions and cost of debt financing. Our findings provide support for the argument that firms taking measures to combat climate change have a lower cost of debt.

Title: Bakshi, Kapadia, and Madan (2003) Risk-Neutral Moment Estimators: An Empirical Analysis

Pakorn Aschakulporn, PhD in Finance

Abstract

The CBOE SKEW is an indicator of crash risk of the US equities market. We have found that this index is likely to have (relative) errors of over 6% (on average) in 2020.

Title: Social Networks, Information Technology, Intellectual Capital and Value Creation in the Public Sector

Thilini Arachchige, PhD in Accounting

Abstract

The study examines how various actors interact in social networks while solving related problems during the introduction of information technology initiatives. Additionally, it explores how intellectual capital (IC) is mobilised by the actors to promote value creation, when they are solving problems. Archival and interview data is currently being collected from a large Sri Lankan and a large New Zealand public sector organisation's head offices and branches. The study uses Actor-Network Theory (ANT), particularly the four moments of translation, to analyse the results. Consistent with the four stages of translation in actor-network theory, the ongoing and emerging findings of the present research suggest that the introduction of a new actor produces a cascading set of changes in the existing actor-network, including the identification of original work approaches, the enabling of new business processes, the alignment of actors' interests, and the encouragement of intra-network knowledge sharing. These changes, when managed successfully, permit better IC utilisation and help promote a firm's value creation.

Title: Microfinance Institutions' Performance under Climate Distress

Iftekhhar Ahmed, PhD in Finance

Abstract

This research investigates the broad performance, as measured by CAMELS factors, of microfinance institutions (MFIs) under climate distress conditions. Using system GMM regressions on a global MFI sample of 15,042 year-observations covering the period 1999-2019 we provide the most comprehensive analysis of the impact of climate events on MFI performance to date. Our results suggest that MFIs are generally significantly affected by climate-induced risk. Specifically, the findings show that climate-related catastrophes have negative consequences on microfinance's capital adequacy, asset quality, earnings, and social mission. However, we find limited or no evidence that climate extremes affect MFIs' managerial qualities and liquidity.

Title: Covariance risk premium

Xiaolan Jia, PhD in Finance

Abstract

Motivated by the implications from a conceptual model combining the equity risk premium (ERP) and covariance risk premium (CRP), we explore the relationship between ERP and CRP and study the implications of CRP for the stock market return predictability. We use the difference between the historical and the risk-neutral covariance rates (HC and RC) of the implied volatility changes and the underlying security returns to quantify CRP. We find that CRP positively and significantly predicts ERP over horizons up to 24 months both in-sample and out-of-sample. Its predictive power outperforms many well-known predictors and it also reveals substantial economic value for investors.

Title: Practice-driven institutionalization of management accountants' business partnership

Siamak Ansari, PhD in Accounting

Abstract

The literature has long discussed how management accountants (MAs) have moved towards more collaboration in decision-making processes with a forward-looking vision by providing strategic information and executing proactive tasks. This is how they are called "business partners". Looking at the institutional context of roles, the manifestation of MAs' business partnership has been investigated from societal position through micro and intra-organizational perspective and even practice-theoretical considerations. Yet, we know relatively little about how actors move from awareness to action. Such a missing link in the concept of business partnering itself, thereby reconfiguring the already existing role(s) should be highlighted rather than constructing. Drawing on a practice-driven approach of institutional theory and using insights from a case study that comes from the new public management reforms, this paper aims to understand how practices performed by practitioners have so far captured the symbolic assumptions of business partnership called 'logics', and what institutional factors have enabled

and/or constrained practitioners to extend their roles into the business partnering. Overall, this paper contributes to the literature by bringing together institutional and practice scholarship in the manifestation of business partnering and exploring how its logics are performed by MAs in practices at the individual level and how they are enabled and constrained from both micro and macro-perspectives. Partnership logics we propose in this study are based on competencies that have been acknowledged by IMA (2019) as requirements for every management accountant as a business partner in the digital age. So, the findings of this study may enrich practitioners' understanding of how building up skills needed for performing their tasks could lead to a business-partnering profile in practice. This study would also be able to show practitioners how they might have acted at partners' sight level irrespective of what they are called, which areas of their profiles are needed to be improved, and which intra- and extra-organizational factors could impact this process.

Title: A talanoa why public values of accountability and transparency are unrealised: Civil servant perspectives of Tonga

Iki Mafi Uele, PhD in Accounting

Abstract

The purpose of this research was to ascertain the role of accounting in measuring the Public Values of transparency and accountability, as well as to ascertain why there is a disparity between the espoused (stated) and realised (observed) accountability and transparency of Tonga's government ministries, departments, and related organisations. My first research study finds that three of the five disaggregated components of accountability and transparency (judgement, timeliness & accessibility, and consequences & redress) are either unrealised or partly realised in the Tongan public sector.

The study investigates why CEOs, Accountants, Clerks, and financial officials within Tonga's Ministries and Departments are not completely accountable and transparent as a response to the research question why accountability and transparency are not fully realised in Tonga. The Kakala Framework and Talanoa, a strong Pacific research method, will be utilised. Talanoa is a decolonising research pedagogy whose efficacy is proven by its capacity to extract information and develop public trust, particularly in the Pacific. One of the benefits of talanoa is that participants and the researcher co-construct knowledge via insightful conversation or dialogue. Participants are free to mention items that do not fall within these categories but are nonetheless helpful to Tonga and the developing globe.

This research will assist Tonga and other developing nations in rebuilding or reforming policies, procedures, and practises.

Title: The Association between Audit Partner Rotation and Non-Audit Services Fees: Empirical Evidence from the United States

Chang Liu, PhD in Accounting

Abstract

This study examines the empirical relationship between audit partner rotation and the relative level of non-audit services (hereafter NAS) fees, since the extant empirical literature does not provide us with direct evidence. Using data from public firms listed in the United States during the period 2017-2019, we find a significant negative association between the NAS fees ratio (NAS fees scaled by the sum of audit and NAS fees) and audit partner rotation. The results suggest mandatory audit partner rotation may contribute to auditor independence by causing the NAS fees ratio to decrease in the year of audit partner rotation.

Title: The role of hedgers and speculators: Evidence from the currency futures markets

Jungah Yoon, PhD in Finance

Abstract

In this paper, we examine the relation between futures trading activity by trader type and returns in seven actively traded foreign currency futures markets that include Australian dollar (AUD), British pound (BP), Canadian dollar (CAD), Swiss franc (CHF), Euro (EU), Japanese yen (JPY), New Zealand dollar (NZD). Preliminary analysis reveals a strong contemporaneous relationship between the trading activity in the currency futures market and corresponding currency futures return. Trading activity is also related to future return in the currency futures markets to some extent in both time-series and cross-sectional perspectives.

Title: Response of the option market to COVID-19 announcements and stringency measures: International evidence

Jianhui Li, PhD in Finance

Abstract

This paper investigates option market reaction to uncertainty associated with COVID-19 announcements and policies for 28 countries/regions in 2020. First, we adopt an event study using multiple option market measures and find that there is a price premium for insurance provided by options to hedge against uncertainty caused by a variety of World Health Organization (WHO) announcements related to COVID-19. Second, we estimate the coefficients of a stringency index on the option measures using a Fama-MacBeth regression and obtain significantly positive results, suggesting a higher cost of option protection against increased COVID-19-related political uncertainty.

Title: Overnight Returns, Daytime Reversals and Sentiment

Sandun Fernando, PhD in Finance

Abstract

Using a sample of U.S. stocks from May 1993 to December 2020, this study investigates the relationship between intensity in a daily tug of war and investor sentiment. Using Baker and Wurgler (2006) sentiment index, we find that the abnormal negative reversal (ABNR) strategy that buys stocks with a high frequency of positive overnight returns followed by negative daytime reversals and sells stocks with a low frequency of such reversals generates 0.44% per month higher alpha following high sentiment than low sentiment state. However, we do not find a difference in the returns of ABNR strategy between high and low sentiment states when we use lagged 12-month market returns and economic policy uncertainty index as sentiment indicators. Using the CBOE volatility index (VIX) as an indicator of investor's fear in the market, we find 0.65% per month higher alpha following high than low VIX periods. We find similar results when we use NBER recession indicators as an indicator of investor's fear in the market. These results indicate that the tug of war between daytime arbitragers and noise traders is stronger during stressful market times with more uncertainty than normal market times, which generates higher ABNR premium once the fundamentals are revealed.

Title: Waste management and management control system: A structured literature review

Disney Kariyawasam, PhD in Accounting

Abstract

The purpose of this paper is to review literature on waste management and management control systems over the past 20 years to highlight the gaps in that research and to outline some ideas for future directions. This paper analysed 261 articles published on waste management on Scopus and Web of science from 2000-2020 within accounting and management journals. The findings revealed that the most of the existing research were in the European continent and focused on the food manufacturing sector. Qualitative empirical research using case studies has been the popular research method. It appeared that research on waste management control systems were minimal as the majority focused on reporting, and environmental management accounting. Future research areas included supply chain activities need to collaborate with all stages of stakeholders for reducing and recycling waste.

Title: Corporate Social Responsibility Decoupling (CSR D): A Systematic Literature Review

Shabana Talpur, PhD in Accounting

Abstract

Our study provides a systematic literature review (SLR) of CSR D literature by reviewing 173 articles from 2010 to 2020. We examine the definitions, current trends and provide a detailed discussion of the themes examined by CSR D researchers. Dividing the literature geographically, methodologically, by industry and theme we find that CSR D research is more concentrated in developed countries with strong institutional settings and law enforcement mechanisms for efficient CSR implementation. A themed analysis of existing studies shows that

most of the literature examines the causes of CSRD. Our review also identifies research gaps that provide scope for future CSRD research.

Title: Financial Development, FDI and CO2 Emissions: Does the Carbon pricing matter?

Xiaojie Yu, PhD in Finance

Abstract

This study investigates the impact of financial development (FD) and FDI on CO2 intensity with a special focus on the carbon pricing (ETS and taxing). We perform a comparison between developed and developing economies using a total of 57 economies over the period 2000 – 2017. As far as the institutional dimension in FD is concerned, we find that financial institutional depth negatively (positively) affects the CO2 intensity of developed (developing) economies. On the other hand, financial institutional access has a negative impact on CO2 intensity in both types of economies. Neither institutional stability nor efficiency affects emissions. As far as financial markets are concerned, the depth (stability) in markets shows a negative effect on developing (developed) economies' CO2 intensity. The degree to market access and efficiency do not show any impact on emissions. Moreover, both inward and outward FDI stock qualities tend to increase CO2 intensity in both economies. Besides, the net FDI position in monetary terms (inward-outward) tends to reduce the CO2 intensity only in developing economies indicating environmentally friendly net inflows. More importantly, CP helps to reverse the positive impact of FDI (inward and outward) quality on developed economies' CO2 emissions suggesting the validity of pollution halo hypothesis towards reaching their sustainable goals in the developed nations.

Title: Carbon Disclosure, Carbon Performance, and Idiosyncratic Volatility: Evidence from the US S&P 500 Firms

Kasun Perera, PhD in Finance

Abstract

At the forefront of well-known climate risk, we study the effect of a firm's carbon performance on its idiosyncratic volatility in the S&P 500 index firms during 2009 and 2018. Correcting for a potential selection bias due to the carbon disclosure decision, we find a significant positive effect from a firm's carbon performance on its idiosyncratic volatility. This relationship remains significant even after controlling for a set of firm-level characteristics. Our results further reveal that the average annualized idiosyncratic volatility of those firms non-disclosed their carbon emissions is 1.23% greater than that of a matched sample of firms that disclosed carbon emissions. Our results suggest the presence of managerial opportunism in the S&P 500 index constituents.

Title: Corporate Governance and Corporate Political Activities: Mapping the Literature

Junxiu Lyu, PhD in Accounting

Abstract

During the past one decade or so, the world has witnessed an enormous increase in corporate ability to influence government policies in their own favour. Corporations use multiple tactics—from threats of boycotting their services (e.g., Google Inc. Australia case) to spending millions of dollars for lobbying – to achieve their goal. Such an unprecedented increase, both in the level and cost, of corporate political activities (CPA) have elevated concerns on companies' corporate governance (CG) practices. Motivated by such concerns, a number of scholars have investigated the antecedents and consequences of CPA. However, the research examining the CG and CPA remains dispersed – providing this research with an opportunity to map an important yet variegated CG and CPA literature. This research, drawing on the national business system approach, systematically reviews 195 research articles published from 1979 to 2021. We anticipate that the research findings will (a) inform academics, practitioners and policymakers about how CG and CPA literature has progressed over the years, (b) expose theoretical and empirical gaps, and (c) suggest avenues for future scholarship within different institutional contexts.

Title: International stock return and volatility predictability: What is the role of risk-neutral moments?

Junyu Zhang, PhD in Finance

Abstract

This paper documents the model-free risk-neutral moments of 28 iShare MSCI country-/ region-specific ETFs and SPY to provide the international uncertainty proxies. The evidence shows that, although the US market can significantly affect the implied volatility of these ETFs, the overall levels are still dominated by their idiosyncratic dynamics. Further, we use these implied volatilities and the higher-order risk-neutral moments to predict future return and volatility. Results show that the predictive abilities of risk-neutral moments are statistically significant in some location ETFs. With the results in panel prediction, the predictive abilities of these moments towards future return and volatility are statistically significant.

Title: Audit Committee Diversity and Internal Control Weakness: Evidence from China

Xiaoxu Zhang, PhD in Accounting

Abstract

This paper investigates the relationship between audit committee gender diversity and internal control weaknesses (ICWs) using data from Chinese listed firms from 2007 to 2020. We find that the gender diversity of audit committees is significantly associated with internal control deficiencies. The results demonstrate that the women members of audit committees improve internal control systems, leading to a lower incidence of ICWs. Our findings contribute to the literature linking internal control problems to audit committee diversity. Our research also supports regulations that promote the presence of women on audit committees.

Title: Investor's response to public information during Health crisis: New insights from Developed World

Umaid Sheikh, PhD in Finance

Abstract

This essay investigates the asymmetrical and quantile dependent nexus between macro and non-macroeconomic changes and stock market indices during the pre-health crisis and novel Covid-19. The Covid-19 time frame starts from 3rd January 2020 towards 29th July 2021. For most of the developed economies during Covid-19, the MT-NARDL model suggested that investor's sentiments are negatively (positively) affected by the lower quantiles of oil price (exchange rate) fluctuations in long term, respectively. However, during Covid-19, investors reacted negatively (positively) to minor changes in exchange (Oil) price fluctuations during Pre-Covid-19. QARDL model suggested that investors during different stock market behavioral conditions reacted asymmetrically to public information and the relationship between the variables is not only asymmetric but also regime-dependent and stock market behavioral-dependent.

Title: Carbon Pricing in Australian Equity Market

Ling Liao, PhD in Finance

Abstract

With the renewable certificate markets initiated in 2001, Australian carbon markets continue to develop rigorously with a carbon exchange launch by 2023, a global innovation. This paper aims to explore: (1) the relationship between firm value and carbon emission; (2) whether or when there has been a carbon premium; and (3) whether the carbon risk has been captured as a systematic risk in the asset pricing model. I will investigate the relationship with a panel regression model using an extensive set of ex-ante proxies and identify the carbon premium and risk factor with a portfolio approach.

Title: Board gender diversity, Family affiliation, and Environmental, Social, and Governance (ESG) disclosure: A Literature review

Dhanushika Samarawickrama, PhD in Accounting

Abstract

The purpose of this study is to synthesize and critically evaluate the extant literature investigating the role of board gender diversity and family affiliation on Environmental, Social, and Governance (ESG) disclosures. Adopting a systematic review approach, this paper examines a sample of 90 studies from 36 highly regarded scholarly journals published between 2003 and 2021. The findings reveal that the female board representation and ESG disclosure relationship is generally positive. The relationship is more significant in countries characterized by higher stakeholder protection and greater legal enforcement strength. Nevertheless, our review identifies studies that report either negative or no relationship between female directors and ESG disclosure, particularly in the emerging markets with family dominated ownership structure. Given the inconclusive empirical results, our study contributes to the extant academic

literature by establishing the conceptual framework to further examine the role of board gender diversity and family affiliation on ESG disclosure in the context of India.

Title: A Study of the measurability and performance indicators in Climate Action Plans, modelled on index methodology and UN Sustainability Development Goals

Indira Venkatraman, MCom in Accounting

Abstract

This study looks at implementing performance measurement in the climate action plan for Waiheke Island. Drawing upon systems of analysis, pragmatic constructivism and index modelling, climate outcomes and carbon consequences are curated into structured data for evaluated. Curated data is then used as the basis for modelling a composite index. Index modelling provides a step by step decision making tool to capture what should be measured and what need not be measured. The index will be built upon United Nation's Sustainable Development Goals (SDGs) and the modelling will become beneficial for micro to macro level policy translation, adaption and mitigation.