



University of Otago

2020 (Oct) PhD Workshop

Department of Accountancy and Finance, Otago Business School

Program for 2020 (Oct) PhD Workshop

Department of Accountancy and Finance, Otago Business School

2:00-5:00pm, 13 Oct 2020 (Tue), 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/95412494929?pwd=QjVOb0RpRWp0WCtVcHFrWU53TE1NZz09>

Zoom password: 2020

PhD Presentations

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| 2 | Presenter: Wei Guo
Title: Implied volatility differences between S&P 500 and SPY ETF options |
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Title: Prospect theory and investors' trading behaviour |
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Title: CEO power and climate change-risk issues: the moderating role of board gender diversity |
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Title: Bakshi, Kapadia, and Madan Risk-Neutral Moment Estimators under Affine Jump Diffusion |
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Title: Climate Change, Geographic Diversification and Credit Risk in Microfinance Loan Portfolios |

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| 13 | <p>Presenter: Chang Liu</p> <p>Title: Non-GAAP Disclosure and Auditing in the U.S.</p> |
| 14 | <p>Presenter: Jungah Yoon</p> <p>Title: The Steepness of Implied Volatility in the VIX Options Market</p> |
| 15 | <p>Presenter: Jianhui Li</p> <p>Title: The COVID-19 risk in the Chinese option market</p> |
| 16 | <p>Presenter: Shabana Talpur</p> <p>Title: CSR Decoupling: An Investigation of Causes and Consequences</p> |
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PhD Introductions

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|-------|---|
| 18-23 | Disney Kariyawasam, PhD in Accounting |
| | Xiaojie Yu, PhD in Finance |
| | Sandun Fernando, PhD in Finance |
| | Baher Almestarihi, PhD in Accounting (Absent) |
| | Kasun Perera, PhD in Finance |
| | Helen Parkes, PhD in Finance (Absent) |

Abstracts

Title: In search of climate distress risk

Quyên Nguyễn, PhD in Finance

Abstract

It is well-known that climate change creates both financial risk and opportunity. While there have been concerted efforts to search for the 'market risk' component of such transition on tradable securities, less is known if the same effect exists on the 'credit risk' component. Prior researches on this aspect limit their analysis to debt-level information (bonds and private loans), of which the highly individual features prevent a precise measurement of the overall creditworthiness across firms. They also employ too generic (noisy) ESG ratings or too narrow (Scope 1) emissions to proxy for transition risk. This paper searches for the effects of climate transition risk on firm-level climate distress risk using Merton distance to default.

Title: Implied volatility differences between S&P 500 and SPY ETF options

Wei Guo, PhD in Finance

Abstract

In our paper, we investigate whether there are the macro-economic factors that can predict the level, slope and curvature differences between S&P 500 and SPY ETF options. First, we show that the level, slope, and curvature factor differences exist between these two popular options with 30 days maturity, after controlling for heteroskedasticity and autocorrelation. We find that the trading activity factors can predict the level difference, but has weak power for the slope and curvature differences. The technical factors, including jump, volatility of volatility, also exhibit some predictive ability for the level and slope difference. Our findings implies that markets have different expectations for SPX and SPY options.

Title: Prospect theory and investors' trading behaviour

Sampath Kongahawatte, PhD in Finance

Abstract

The purpose of this study is to investigate the link between the trading behaviour of investors and their perception of the distribution of past returns using prospect theory. Employing unique investors' trading flow data from January 2004 to June 2015, we find that prospect theory value is an important predictor of future stock returns. First, an increase in prospect theory value leads to positive abnormal return of 2.69% in the following month. Second, we show that individual investors buy (sell) stocks with low (high) prospect theory values while institutions trade in the opposite direction. The results suggest that individual investors overweight portfolio of stocks with low probability of extreme negative returns.

Title: The role of board gender diversity in private firms' risk: Evidence from the UK

Mahnoor Sattar, PhD in Finance

Abstract

Using 26,045 UK firms for the period 2005-2017, this research investigates the effect of female directors on private firm risk. The baseline models show that overall female directors reduce risk. Further analysis that partitions women board members by nationality reveals that local (foreign) female directors reduce (increase) firm risk exposure. The benefit of female directors is greatest for more risky, small and medium firms. Lower director busyness in gender diverse boards means that female directors can lower variability of corporate performance by investing more time in their fiduciary responsibilities. Our findings are robust to endogeneity corrections using two external exogenous instruments.

Title: Pricing VXX Option with Stochastic Volatility Model

Wei Lin, PhD in Finance

Abstract

This paper presents the relationship between the VIX option and VXX option in Black-Scholes model, and we consider the problem of VXX option pricing under the stochastic volatility model.

Title: CEO power and climate change-risk issues: the moderating role of board gender diversity

Khurshid Ali, PhD in Accounting

Abstract

Purpose – The purpose of this study is to empirically investigate the influence of CEO power on companies' decisions to take actions on climate change-risk issues. The study further examines the moderating role of gender diversity on the underlying relationship.

Design/methodology/approach – The sample of the study includes constituent companies of Russell 3000 index over the period of 2008 to 2019.

Findings – The findings reveal that CEO power is negatively significant towards climate changing action. The findings endorse the agency theory perspective.

Title: Bakshi, Kapadia, and Madan Risk-Neutral Moment Estimators under Affine Jump Diffusion

Pakorn Aschakulporn, PhD in Finance

Abstract

This is the first study of the errors of the Bakshi, Kapadia, and Madan (2003) risk-neutral moment estimators under the Duffie, Pan, and Singleton (2000) affine jump diffusion model benchmarked against their true values. This is accomplished using the exact solutions from Zhen and Zhang (2019).

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. Archival and interview data is currently being collected from a large Sri Lankan public sector organisation's head office and its branches. The study uses actor-network theory, 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: Climate Change, Geographic Diversification and Credit Risk in Microfinance Loan Portfolios

Iftekhar Ahmed, PhD in Finance

Abstract

This study investigates the association between climate change, geographic diversification and credit risk in microfinance institution's (MFI) loan portfolios. It is motivated by inconclusive banking research evidence concerning the climate change-bank risk nexus and the geographic diversification-bank risk nexus together with the vulnerability threat that MFI failure poses to millions of MFI borrowers. Applying system generalized method of moments (GMM) to a unique sample of global MFIs, we report evidence that climate change and geographic diversification increase credit risk in MFI loan portfolio. In addition, geographically diverse MFIs are also found to mitigate the impact of climate risk on MFI credit risk.

Title: The Implied Volatility Smile in the Crude Oil Market Based on a New Framework

Xiaolan Jia, PhD in Finance

Abstract

This paper studies the implied volatility smile in the crude oil market based on Carr and Wu's (2020) new option pricing framework. The implied volatility smile is negatively skewed with a positive curvature. We then investigate the return predictability of the innovations in the risk-neutral estimators derived from the implied volatility smile. The first difference in risk-neutral covariance rate (DRNC) is a significant and robust predictor for predicting daily, weekly and monthly excess returns in both statistical and economic terms.

Title: Towards the partnership enactment of management accounting roles: how to facilitate institutional enablers and constraints using a big data lens; Evidence from a NZ public-sector organization

Siamak Ansari, PhD in Accounting

Abstract

Nearly four decades have passed since the need to reconfigure management accounting (MA) roles bringing the demarcation of role enactments forth in the manifestation of partnership within organizational domains rather than holding a mere technical rationality. While this study reviews the past role studies systematically to see whether the literature has delivered a paradigm for the partnership discourse upon MA roles, it aims to empirically investigate institutional enablers (Es) and constraints (Cs) towards such enactment in the public sector, and realize whether the context of big data would facilitate this path. In so doing, we first set out to perceive the management accountants' actions to create, maintain and disrupt the institutional work/arrangements in order to absorb the partnership logics. Then leading from this, the big data lens will be employed to see that how such context would facilitate those Es and Cs sourced from regulative, normative and cognitive ethos through the MA inscriptions.

Title: The role of Accounting in measuring public values of the Kingdom of Tonga

Iki Mafi Uele, PhD in Accounting

Abstract

This research aims to understand the role of accounting in measuring public values of transparency, and accountability, and to ascertain if there is a gap between espoused public value and realised public value. Realised public value will help to create trust in the public space especially in the context of a developing country that is highly influenced by international public value institutions such as donors and other associative organisations. In this study, I try to analyse the Auditor's reports to understand the level of accountability and transparency in government ministries and public enterprises of Tonga. It is grounded in the theoretical framework of realised publicness. The Auditor's annual report of Tonga contains reports of all the government ministries departments and government-owned public enterprises, and the data from these reports can be used to assess whether the government has realised or

accomplished public values for a given period. An analysis of the content of the report will clearly explain how accounting is used to gauge the level of accountability and transparency of government ministries and public enterprises of Tonga. The study contributes to the current literature in terms of using accounting to assess whether public values are realised or not realised.

Title: Non-GAAP Disclosure and Auditing in the U.S.

Chang Liu, PhD in Accounting

Abstract

As part of corporate governance system (or monitoring scheme), external auditors in nature should restrict any distracting information disclosed by firm managers. Although external auditors are not strictly responsible for any non-GAAP disclosure, they still need to read non-GAAP disclosure as 'other information related to mandatory audits.' Therefore, people may think external auditors may implicitly provide assurance to the announced non-GAAP figures if external auditors do not publicly disagree with that. Hence, examining the impact/association between external auditors and non-GAAP disclosure by firm managers may contribute to auditing literature and benefit investors.

Title: The Steepness of Implied Volatility in the VIX Options Market

Jungah Yoon, PhD in Finance

Abstract

This paper studies the implied volatility curve (IVC) in the VIX options market, following methodology of Zhang and Xiang (2008). The IVC of the VIX options do not exhibit the representative smirk shape, but rather a positive-sloping and almost a linear curve with a very little negative curvature. The steepness of VIX IVC has statistically and negatively significant predictive power on VIX futures returns. We further investigate IV curves in the VIX options market by looking at the global steepness instead of local by employing linear estimation of IV curve factors.

Title: The COVID-19 risk in the Chinese option market

Jianhui Li, PhD in Finance

Abstract

The COVID-19 pandemic increases traders' fear for the pandemic to cause a financial market crash. We construct the option measures using Shanghai Shenzhen CSI 300 Stock Index options to represent the traders' fear for the potential crash risk. We prove that the cost of protection against downside tail risk is positively related to the daily new confirmed cases and daily new deaths during the COVID-19 widespread period in China.

Title: CSR Decoupling: An Investigation of Causes and Consequences

Shabana Talpur, PhD in Accounting

Abstract

CSR reporting has experienced significant growth as larger international platforms highlight concerns related to environmental and social issues. International attention, global conferences, seminars on climate change, diversity and equality, along with organizational change agents such as the UN Climate Change Convention, 2019 are growing public awareness of the issues at stake. In contrast, watchdog organizations (Global Reporting Initiative) suggest a lack of CSR implementation and refer it as CSR decoupling. This study aims to investigate CSR decoupling by considering firm corporate governance factors which are responsible for the implementation of CSR policies and the effects of CSR decoupling on company reputation and performance.

Title: The Role of Fundamentals and Policy in Carbon Pricing in New Zealand

Ling Liao, MCom in Finance

Abstract

This paper explores NZU pricing dynamics driven by the allowances supply and demand. The analyses highlight that (1) contrary to the carbon activities from manufacturing and transportation sectors, activities from stationary energy sector put downward pressure on NZU prices, which may be explained by its role as the major allowances owner of the NZ ETS; (2) while banking and net import negatively affect NZU returns, carbon removal entitlements surprisingly positively affect NZU returns; and (3) there are two policy associated NZU returns structural breakpoints in 2013 and 2016 respectively over the period of July 1st, 2010-December 31st, 2019.