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Predicting payment default: a search for financial and non-financial predictors using two-way effects
Erkki K. Laitinen

Abstract : The importance of two-way effects in predicting payment defaults in Finland is assessed. For estimation, 1500 default firms and 1500 non-default firms are randomly selected and 62164 firms are left for validation. The study first makes use of simulation experiment to hypothesize how two-way effects affect the performance of the models. Two different kinds of general linear (GL) models are estimated: models based on main effects and models based on both main and two-way effects. The estimated models are based on three data sets: financial variables, non-financial variables, and both financial and non-financial variables. The results largely support the hypotheses.

The Venture Capital Investment Process In Greece: Some Evaluation Aspects
M. Bakatsaki-Manoudaki, K. Kosmidou, Y. Papadopoulos, C. Zopounidis

Abstract : The term “Venture Capital” is quite new in Greece and in the beginning was referred only to the ventures of new innovative firms. Recently it has been expanded to include a wide range of financing, which already covers the existing developed firms. The Venture Capital was firstly appeared in U.S.A. in the early of 40’s and later in Europe in the early of 70’s. The foundation of venture capital firms was introduced with the laws No 1775/88 & No 2166/93, but due to their insufficient results the law No 2367/95 was instituted to reject the two previous in period of two years and to change the name of the venture capital firms. The purpose of this paper is to present the development of Venture Capital in Greece. The realization of this development was succeeded via a) a questionnaire, which was sent to all the venture capital firms of Greece and b) interviews, which were held to the managers of the venture capital firms. Consequently, the objective of this paper deals with the results of this research, which are: i) The development and the investment policy of the venture capital firms (geographical division of the invested amounts, sectorial division, type of venture capital (seed capital, start-up financing, etc), ii) The decision procedure, which is adopted by the venture capital firms (time-sharing of the venture capital process, evaluation criteria). Finally, the paper deals with the conclusions derived from this market research and the development perspectives of the venture capital firms in Greece.

Convergence with IFRSs and the Evolution of the Regulation of the Concept of Control used for Consolidated Accounts: a UK Perspective

Dr. Renata Stenka, Peter Taylor

Abstract : For any jurisdiction with pre-existing domestic regulations on consolidation the requirement to converge on IFRSs involves a change in an important part of its GAAP which would instigate major economic consequences. UK GAAP relating to group accounts is very complex and had evolved over a long time. The convergence with IFRSs is the latest phase in this evolution and the paper seeks to analyse this process and certain of the issues arising from it. The analysis is focused on the concept of control used to determine the scope of consolidation.

Hedging and Taking Risk: On the Role of Derivatives and Stock Options

Mikiharu Noma

Abstract : This paper empirically examines the relation between the use of derivatives and the risk level of firms in a sample of 431 large Japanese nonfinancial firms. Previous studies investigating whether firms systematically reduce or increase their risk with derivatives show that firms reduce their risk. By contrast, this paper shows that the use of derivatives increases total risk and firm-specific risk. However, the magnitude of the increase is not economically significant. Further analysis provides some evidence on the association between derivatives and stock options. The results show that there is a positive relation between the use of derivatives and stock options. In addition, firms introducing stock options invest in R&D activities to a greater extent than firms that do not introduce stock options. These findings suggest that Japanese firms use derivatives to hedge homogeneous risk and adopt stock option compensation to take core-business risk.