

**CORPORATE  
OWNERSHIP & CONTROL**

**КОРПОРАТИВНАЯ  
СОБСТВЕННОСТЬ И КОНТРОЛЬ**

Postal Address:

Postal Box 36  
Sumy 40014  
Ukraine

Tel: +380-542-611025  
Fax: +380-542-611025  
e-mail: alex\_kostyuk@mail.ru  
alex\_kostyuk@virtusinterpress.org  
www.virtusinterpress.org

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.

*Copyright:* All rights reserved. No part of this publication may be reproduced, stored or transmitted in any form or by any means without the prior permission in writing of the Publisher.

*Corporate Ownership & Control*

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

Certificate № 7881

*Virtus Interpress. All rights reserved.*

Почтовый адрес редакции:

Почтовый ящик 36  
г. Сумы, 40014  
Украина

Тел.: +380-542-611025  
Факс: +380-542-611025  
эл. почта: alex\_kostyuk@mail.ru  
alex\_kostyuk@virtusinterpress.org  
www.virtusinterpress.org

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.

*Uma Velury and David S. Jenkins* examine the role of institutional monitoring as it pertains to reporting conservatism. Using the Basu (1997) asymmetric timeliness models, they examine the relation between institutional ownership and the conservatism of reported earnings, as defined by the asymmetric timeliness measures. Their results indicate that larger institutional holdings are associated with a decrease in earnings conservatism. They attribute these findings in part to the incentives of large institutional investors to capitalize on private information obtained through their role as corporate monitors.

*Kim R. Sawyer and Jackie Johnson* examine the question as to what constitutes the national interest, and whether it affects the probability of a merger receiving regulatory approval. To illustrate, they examine the takeover of the Australian resources company Western Mining Corporation.

*Jan Kuklinski and Dirk Schiereck* investigate the long-run performance of initial public offerings of 174 family firms floated in Germany between 1977 and 1998. Family businesses typically come closest to the ideal of non-separation of ownership from control. The fundamental change in ownership structure induced by the flotation represents a change in the governance of the firm as for the first time dispersed outsiders buy equity capital. An examination of the stock price performance allows drawing conclusions to explain the impact of governance changes on firm value. A prediction of stock price performance spans two theories: Advantages of modern corporations where management and ownership are separated are cut short by the so-called principal-agent problem. Managers – the agents – could take actions against the interest of shareholders – the principals. Agency problems in closely-held family firms should be less predominant. On the other hand, the rent-protection theory predicts that family owners have incentives to skim private benefits at the expense of firm performance. Depending on the extent of these two effects, family-owned firms should out-, respectively underperform the market. The empirical evidence seems to support

the private benefit hypothesis: 3 years after the listing the market-adjusted return was on average –25.31% compared to a broad index. The underperformance increased to –53.50% after 60 months. Even when excluding potential new economy and *Neuer Markt* biases, the underperformance is a statistically significant –10.50% and –50.13%, respectively.

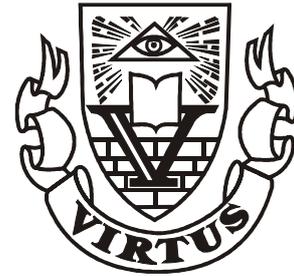
*William Barnett II, Michael Saliba, Walter Block* examine predatory pricing. Cost, properly understood as opportunity cost is subjective and is incommensurable with money prices; more important, to price below cost implies rationally choosing an alternative (selling at price) that is suboptimal, since cost is the most highly valued alternative not chosen. When critics declare that predatory pricing is to price below cost, they mean to set a price below some measure of money expenses. But this entails all kinds of problems; which concept of expense – marginal is most obvious; but also the issue of the present value of alternatives, which means discounting expected revenues and expected expenses.

# CORPORATE OWNERSHIP & CONTROL

---

Volume 4, Issue 4, Summer 2007 (Continued - 3)

## CONTENTS



<b>Editorial</b>	<b>336</b>
<hr/>	
<b>THE EFFECT OF INSTITUTIONAL OWNERSHIP ON THE REPORTING OF CONSERVATIVE EARNINGS</b>	<b>338</b>
<i>Uma Velury, David S. Jenkins</i>	
<b>DOES THE NATIONAL INTEREST MATTER? A CASE STUDY OF A CROSS-BORDER MERGER</b>	<b>345</b>
<i>Kim R. Sawyer, Jackie Johnson</i>	
<b>LONG-RUN PERFORMANCE OF INITIAL PUBLIC OFFERINGS IN THE GERMAN STOCK MARKET: THE FAMILY BUSINESS EXPERIENCE 1977 TO 1998</b>	<b>357</b>
<i>Jan Kuklinski, Dirk Schiereck</i>	
<b>PREDATORY PRICING</b>	<b>397</b>
<i>William Barnett II, Michael Saliba, Walter Block</i>	