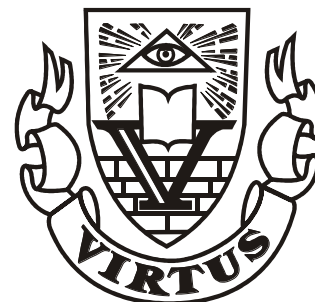


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I provide new insights in capital structure choice in European emerging economies by extending the logic beyond the scope of modern capital structure theory, which is based on the assumption that firms are governed by shareholders and follow the goal of maximizing their wealth. I empirically investigate capital structure choice in these countries assuming an alternative corporate governance paradigm that puts risk averse insiders with specific objective function in the firm's governance structures. I found that firms that are owned by insiders operate with significantly lower leverage, as well as that the probability that a firm uses debt at all drops if insiders are the largest shareholders.

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Alessandro Giosi, Silvia Testarmata, Ignazio Buscema

Stemming from value relevance research, this study investigates the ability of accounting and financial data to provide useful information about the economic value of the firm in trouble waters. Because the firm is at the center of a network of interests of many stakeholders, that put some expectations on it, the investors requires useful financial statements information in order to take rational investment decisions about financial instruments, such as equity and corporate debts. Academic literature define value relevant the accounting information able to change the expectations but also to induce a change in the behavior of the decision makers. To ensure that the accounting information reported in the financial statements are value relevant they need to be related to the company current value. The aim of this research is to study the usefulness of accounting information perceived by investors and to understand the process of allocation of resources in the capital market in trouble waters.

A FINANCIAL RISK AND FRAUD MODEL COMPARISON OF BEAR STEARNS AND LEHMAN BROTHERS: WAS THE RIGHT OR WRONG FIRM BAILED OUT? **68**

Hugh Grove, Maclyn Clouse

In March 2008, the US government bailed out a failing Bear Stearns by arranging a sale to JP Morgan Chase, with US government guarantees for many Bear Stearns' toxic assets that came with the acquisition. In September 2008, the US government failed to bail out a failing Lehman Brothers, which then went into bankruptcy. Soon thereafter, the US government established a bailout program for many other failing financial institutions. This paper uses financial risk and fraud models to attempt to answer the question as to why Bear Stearns was bailed out, but Lehman Brothers was not. Based on the analysis, was the right or wrong firm bailed out? In summary, these financial risk and fraud models show potential for developing effective risk management monitoring and stronger corporate governance in order to enhance relationships between management, financial reporting, and the stability of the economic system in crisis and post-crisis conditions.

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