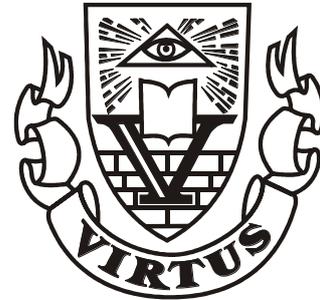


# RISK GOVERNANCE & CONTROL: Financial markets and institutions

VOLUME 2, ISSUE 2, 2012

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**VENTURE CAPITAL AND RISK MANAGEMENT: EVIDENCE FROM INITIAL PUBLIC OFFERINGS** This paper was extracted 7

*Charles E. Bamford, Edward B. Douthett, Jr.*

The results indicate that IPO backing by venture capitalists is associated with risk factors related to operating profit margins and ongoing sales generation, but not operational financing. The results also indicate that venture-backed IPOs are associated with greater reductions in firm-specific risk over the course of a year that includes the date of the IPO. In sum, the findings suggest venture capitalists are willing to accept higher levels of uncertainty in those instances where they have an advantage in terms of managerial skill, and are able to reduce firm-specific risk subsequent to investment in order to maximize returns when they cash out. Our study also makes use of proxies that are representative of the ex-ante nature of firm-specific risk at the time of a new issue.

**ROMANIAN ACCOUNTING POLICIES BETWEEN INTERNATIONAL ACCOUNTING CONVERGENCE AND CORPORATE GOVERNANCE REGULATION** 18

*Elena Dobre*

This paper aims to look at accounting impact on the systems of Romanian corporate governance. The purpose is aligned to discover research leads at the intersection of corporate governance and financial accounting. The hypothesis is that the corporate governance is influenced by accounting policies monitored by internal control. The empirical study focus on several points: (i) concepts and specific terms; (ii) elements to be considered in establishment of accounting policies; (iii) change and remodelling of accounting policies; (iv) the influence of enterprise accounting policies on indicators level. We present the role of accounting policies to generate futures economic benefices and the intricacy of accounting valuation. We conclude about the process configuration and modelling accounting policies in terms of business engineering.

**THE CONTINUOUS MARKET CYCLE OF THE SHORT-TERM INSURANCE INDUSTRY** 25

This paper was extracted

*L Essel, F J Mostert, J H Mostert*

The short-term insurance industry is a cyclical type of business due to the impact of the continuous market cycle. This cycle has a growth phase, soft market phase, hard market phase and a break-even

phase. The objective of the research paper focuses on the improvement of financial decision-making when executives of the short-term insurance industry are managing their business during the various phases of the continuous market cycle. Both a literature study and an empirical survey were necessary to achieve the research objective.

The empirical survey included the contributions of the top nine commercial and corporate short-term insurers in South Africa. They represented more than 77% of the total gross written premiums in 2009 and can thus be considered as the leaders of the short-term insurance industry in this country. The conclusions of the study should be valuable to other developing countries with emerging market economies as South Africa is also classified as such.

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## **OVERVIEW OF SALIENT ECONOMIC FEATURES OF THE MODES OF FREIGHT TRANSPORT FOR USE IN THE FORMULATION OF NATIONAL TRANSPORT POLICY IN SOUTH AFRICA**

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*W J Pienaar*

Defining the economic role of the various modes of freight transport should be one of the basic ingredients of both an economically rational transport policy and the effective functioning of the existing free freight transport market in South Africa. In the interest of the national economy and in the commercial interest of freight carriers, national policy on freight transport should take cognisance of (1) why governments involve themselves in transport, (2) the policy instruments of governments that affect the performance of the freight transport sector, and (3) the salient economic features of the freight transport market that should be considered in the formulation of transport policy. The goal of the research was to compile an overview of these three aspects. The research approach and methodology combine (1) a literature survey; (2) an analysis of the cost structures of freight transport modes; and (3) interviews conducted with specialists in the freight transport industry.

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## **THE ROLE OF OPERATING CASH FLOW IN CREDIT RATING: INVESTMENT-GRADE FIRMS VS. SPECULATIVE-GRADE FIRMS**

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*Xu (Frank) Wang, Jenny Zhang, William Sanjian Zhang*

Despite Standard and Poor's long-standing claim that cash flow is a critical aspect of its rating decisions, the credit rating literature has failed to document a significant relation between credit rating and cash flow measures. A possible explanation of this discrepancy is that the rating agency weighs operating cash flow differently between investment-grade and speculative-grade issuers. Performing an ordered probit analysis of a panel of firms from 1989 to 2006, we find operating cash flow is positively associated with credit ratings for speculative-grade issuers, but not for investment-grade issuers. In contrast, accrual-based earnings are found to be positively associated with credit ratings, but only for investment-grade firms.

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## **FACTORS AFFECTING BANK GOVERNANCE IN MALAYSIA**

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*Wan Masliza Wan Mohammad, Rapiyah Mohd Zaini, Haslina Hassan, Takunda Guest Charumbira* This paper was extracted

Since the financial crisis in year 1997, banks in Malaysia had undergone various issues and transformations, including stricter regulation on merger and acquisitions and greater enforcement of corporate governance. Besides that, the institutions had also gone through the transformation in terms of the risk assessment practice due to the stricter rulings under Basel II regulations. Taking into account of these changes, this study empirically examines the effects of corporate governance, risk and capital on the performance of banks in Malaysia. Based on 132 firm-year samples for the period of 2004-2009, study indicates a significant and negative relationship between bank risks and performance. It further reveals that the risk weighted capital (RRWC) improves bank performance. However none of the corporate governance variables have any associations with banks performance.

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## **SUBSCRIPTION DETAILS**

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