REVENUES FROM RELATED PARTIES: A RISK FACTOR IN ITALIAN LISTED COMPANY FINANCIAL STATEMENTS

Fabrizio Bava*, Melchiorre Gromis di Trana*

Abstract

In recent decades, related party transactions (RPTs) have played a prime role in major corporate scandals, obliging regulators to strengthen the rules with new bans and expensive requirements on companies.
This study aims to contribute to the literature on RPTs, providing evidence to justify increasingly expensive and mandatory regulation. Results show that the intensity of related party revenues increases where a company has lost profitability as well as turnover.

Keywords: Related Party Transactions, Conflict of Interests, Profitability, Revenues

**Associate Professor, University of Turin, Department of Management, C.so Unione Sovietica 218 bis – 10134 Turin (ITALY)*
***Ph.D., University of Turin, Department of Management, C.so Unione Sovietica 218 bis – 10134 Turin (ITALY)*

1 Introduction

Recent shortcomings in corporate affairs, related to the Global Financial Crisis, have shown how related party transactions (RPTs), in many cases, played a prime role in abuse. This forced regulators to strengthen the rules, introducing new bans and imposing new requirements aimed at guaranteeing the substantive and economic fairness of related party transactions (RPTs). The reforms have focused on two main areas, approval processes and increasing transparency. From a theoretical perspective, RPTs are studied according to two different perspectives: conflict of interest and the efficient transaction hypothesis.

The first supports the idea that these transactions represent a conflict of interest and conflict with forms of company and investor protection (Emshwiller 2003). The conflict of interest theory claims that RPTs may in general be an instrument of abuse in relation to two opposing groups: ownership and control (executive directors and management), or majority and minority shareholders.

In opposition to this, the efficient transaction hypothesis assumes that RPTs are sound business exchanges, efficiently fulfilling the underlying economic needs of the corporation (Pizzo 2011), because the reduction of information asymmetry reduces transaction costs and risks. The theories coexist and hence RPTs cannot be banned.

In line with the conflict of interest theory, our study aims to analyze relations between revenues made with RPTs (Related Revenues) and corporate economic trends.

Excluding banks, in Italy subject to specific rules, we examined the 100 highest capitalized Italian companies listed in 2011. The focus is on Italy because of the strong interrelation between Italian listed companies (as elsewhere in Europe). The relations involve intra-group entities as well as extra-group entities. In particular, the Italian listed corporate sector is characterized by concentrated control (Bianchi & Bianco 2006) through opaque structures, such as pyramids, dominated by a small number of interlinked but competing entrepreneurs (Assonime 2011). Italian companies generally have a controlling owner (Bianchi et al. 2001), hence the relevance of the topic in the Italian context because of the exposure of minority shareholders to a high risk of exploitation (Nenova 2003, Dyck and Zingales 2004). As Holderness (2009) says, minority control is a widespread and constant issue the world over, in different forms and modes. Data was collected in part from the AIDA database (Bureau van Dijk S.p.a) and in part from Financial Statements. Pursuant to Consob Resolution 15519/2006, companies must declare the revenues and costs produced with RPTs in their Income Statements, as well as related receivables and liabilities in the Financial Statements. The data was checked with information set out in the Supplementary Notes to the Financial Statements, as required by IAS 24, which disclose details regarding related parties.

In the literature, the improper use of RPTs has been found to affect future performance as well as corporate values in China (Chen et al. 2011; Zhu and Zhu 2012) and the U.S. (Ryngaert and Thomas 2012; Kohlbeck and Mayhew 2010). Some studies indicate a positive relation between RPTs and corporate performance, through increasing sales or lower transaction costs (Khanna and Palepu 1997, Chen et al. 2012), whereas other studies support the evidence that there is a negative association between RPTs and performance, Tobin’s q ratio and ROA (Munir & Gul 2011), or ROE (Cheung et al. 2009). Via an OLS model, this research aims to contribute to the literature on RPTs by providing evidence to justify increasingly expensive and mandatory regulation. Results show that the intensity of related party revenues is higher when a company has suffered a reduction in profitability as well as in turnover. Whereas, there is no evidence of inverse relations between related party revenues and the financial position of the company. This provides input for future research to implement our analysis taking the financial dimension into account.

2 Review of rpts in the literature

The sequence of corporate scandals (Enron, Arthur Andersen, WorldCom, Adelphia, Tyco International and Parmalat) that shook up financial markets at the beginning of the new millennium has fueled a debate on Corporate Governance (CG). To understand its importance, it is necessary to clearly establish the purpose of a corporation. As Stout (2013) and many other authors (Clark 2013, Stevelman 2013, Weinstein 2013) argue, the corporate form may meet the needs of many different groups of entities. One of the most widespread theories is the maximization of shareholder value based on the difficult issue of resolving conflicts between the ownership and other stakeholders. In this sense CG rules aim to put shareholder interests before those of Directors (Agency theory) and stakeholders. Hence RPTs can play a positive role in helping companies to reach their shareholder targets. This rules out banning them altogether (Goshen 2003). However, they can be used to generate abuses against various other types of entity in corporate life. RPTs can reduce the problem of asymmetric information between outside stakeholders (including investors) and corporate management (Gordon et al. 2004), partly because of the conflict of interest that can arise among shareholders.

For this reason, CG is expected to reduce the opportunistic behavior of management, to improve the quality of corporate reporting, and to increase corporate performance (Chen et al. 2009, Bhagat and Bolton 2008, Denis and McConnell 2003). At the same time, it restrains (diminishes) opportunistic uses of discretionary accruals in a company's Financial Statements (Chung et al. 2002 and Park and Shin 2004), inter-group borrowings (Berkman et al. 2009), and corporate fraud (Chen et al. 2006).

In the Shareholder Value Myth, Stout (2013) shows how the traditional managerial focus on shareholder interest can be harmful to the corporation. He suggests a more long-term perspective that does not reward a small subset of shareholders, which is shortsighted, opportunistic, undiversified, and indifferent to ethics and the welfare of others. Furthermore, as Biondi (2005) suggests, the accounting system can be deemed the heart of the business corporation and can replace or complement the market price. A method based on accounting reporting is better able to represent and control the relationship between shareholders and the business corporation (Biondi 2012).

Due to this, CG rules must regulate the assessment process and approval of RPTs and improve the efficiency and quality of financial reporting (Razaee 2004). This would limit the improper use of RPTs and foster the disclosure of the information required to assess these transactions (Fooladi et al. 2011).

As with CG, RPTs are strongly influenced by the type of culture to which they are applied. Hoftede (1980) points to the large cultural differences between countries to explain the very varied approaches adopted. and the many different types of CG models and rules. Globally, three leading forms of capitalism can be identified: the Anglo-Saxon, the Teutonic and the Latin. Their most significant differences are generally the result of differences in culture although there are other elements that influence CG variables. Despite the globalization process which is fostering unification of the models in many counties, significant differences remain regarding ownership structure and corporate control. In particular, many studies focus on the relationship between ownership structure (Zengquan et al. 2004, Kun 2005, Jian & Tak 2010, Munir 2010), the role played by the stock market (Gordon et al. 2004, Lo et al. 2010, Yeh et al. 2012) and the quality and relevance of RPTs in corporate life. Cernat (2004) argues that CG constitutes not only a crucial difference between varieties of capitalism but is also a major factor in determining their economic performance. Chen (2014) found that the financial crisis has triggered a need for companies to adopt a new governance structure in order to better cope with the challenges of the environment. However, as yet, the literature on RPTs has not paid sufficient attention to the relationship between CG and RPT disclosure, although the knowledge of these transactions can affect the way in which analysts of Financial Statements assess the performance, financial position, and risk and opportunities of an entity (Corlaciu and Tudor 2011). Current rules on RPTs must be revised and improved because of a lack of efficiency (Gromis di Trana 2014, Bava and Gromis di Trana 2015).

Two definitions of RPTs are commonly used (Chen-Wen & Chinshun 2007) in business literature.

The first is that RPTs are generically defined as transactions between a company and related entities (e.g., subsidiaries, affiliates, principal owners, officers, and directors) (FASB 1982). Young (2005) suggests a second definition that sees them as «transactions between a company and an insider», i.e. a person considered to be part of the company (Pan & Hsiu-Cheng 2007). The common element is the relationship between the parties which can influence and establish the binding conditions of the contract (implicitly or explicitly), which differ from other contracts because the parties are not independent.

One of the most influential and widespread definitions is provided by International Accounting Standards which define RPTs as a «transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged» (IAS 24), and where «a related party is a person or entity that is related to the entity that is preparing its financial statements» (IAS 24). Two or more parties are considered to be related, whether companies or individuals, when one has the ability to influence the other in making operational or financial decisions. Furthermore, International Accounting Standards state that related entities are members of the same group (which means that parent companies, subsidiaries and fellow subsidiaries are all related to each other), including where the entity, or any member of a group, provides key management personnel services to the reporting entity or to the parent of the reporting entity. The latter provision was added by Annual Improvements to the IFRSs 2010–2012 Cycle, taking effect for annual periods from 1 July 2014. This version does not deem two entities related simply because they have a director or key manager in common. Hence, RPTs can be observed through different perspectives, one that puts the risks before the advantages produced by these transactions, and the other which highlights their natural tendency to reduce monitoring costs and information asymmetry.

From a theoretical perspective, RPTs are studied in light of:

(a) conflicts of interest;

(b) the efficient transaction hypothesis.

Lemmon and Lins (2003) suggest that the corporation ownership structure is what principally determines the extent of agency problems between controlling insiders and outside investors. The insiders able to control corporate assets can potentially expropriate outside investors by diverting resources for their personal use or by committing funds to unprofitable projects that provide private benefits. Further, Grossman and Hart (1980) showed that if a corporation has a broad shareholder base, no single shareholder has adequate incentives to monitor management closely. In this context the transfer price can favor the controlling or related party at the expense of minority shareholders (Johnson et al. 2000). Therefore it is important to guarantee adequate legal process to protect minorities and small investors. La Porta et al. (1998) argue that the absence of strong legal protection and other external governance mechanisms further increases the severity of agency problems between controlling insiders and outside investors.

Based on these assumptions, the first theory supports the idea that these transactions are a conflict of interest and also conflict with company and investor protection (Emshwiller 2003). The theory claims that RPTs may in general generate abuse due to the opposing interests of ownership and control (executive directors and management), or of majority and minority shareholders.

The first conflict is examined by Agency Theory literature (Jensen and Meckling 1976, Fama 1980, Eisenhardt 1989), which also deals with the effectiveness of monitoring management (Fama and Jensen 1983 1-2). The second conflict is sufficiently analyzed in literature as an investor protection tool (La Porta et al. 2000). In particular, the transactions are subject to moral hazard, i.e. a situation where a party tends to take risks because it is not liable for any costs incurred. Thus, RPTs can produce benefits for the strong party (insiders) at the expense of the weak (outsider). The reasons for this discrepancy are the lack of tools to protect the minority's rights and the presence of asymmetric information (Beak et al. 2006). Some examples of this abuse could lead to a reduction in shareholder wealth (tunneling transactions), yielding a virtual increase in the resources of the corporation or, ultimately, misleading statements (earnings management). Some studies (Gordon 2004 et al., Kohlbeck and Mayhew 2005) conclude that weak corporate governance leads to a larger number of RPTs. Several studies have confirmed the use of earnings management by large numbers of listed companies in order to achieve particular levels of ROE (Chen and Yuan 2004, Liu and Lu 2007). The manipulation of the process of financial reporting to obtain private gain may easily take place through RPTs.

In contrast with the previous approach, the efficient transaction hypothesis assumes that related party transactions represent sound business exchanges, efficiently fulfilling the underlying economic needs of the corporation (Pizzo 2011). The basis of this theory is the reduction of transaction costs as well as the reduction of the risk associated with these transactions. The conflicts of interest theory and the efficient transaction theory are not necessarily in opposition, because these transactions can produce benefits as well as disadvantages. For this reason, as stated by Goshen (2003), a total ban on self-dealing would be irreconcilable with the goal of preserving the performance of efficient transactions. Furthermore, a non-interventionist approach would leave the investor vulnerable the problem of the conflict of interests.

Related party sales might be an important part in a firm's normal business and contribute as importantly to the firm's performance and return as do non-related party sales. However, if related party sales are misused by the controlling owner for opportunistic earnings management purposes, the credibility and durability of these sales numbers are lower than that of non-related party sales, which are more difficult to manipulate.

Finally, a contingency perspective has been suggested encompassing both theories (Pizzo 2011). It is based on the fact that method is perfect and can cope with all possible cases.

Some studies suggest that, on average, RPTs are not harmful to outside shareholders (Ryngaert & Thomas 2011). This observation can be extended to the other classes of stakeholders (Henry et al. 2007). However a high inherent risk exists due to the increased likelihood of RPTs being used in fraudulent behavior. In particular, this type of transaction tends to increase the discrepancy in treatment between those who hold the power and those who are subject to it (minority shareholders or shareholdings in general). Having said this, it should also be noted that most of these transactions are a normal feature of business; entities frequently carry out activities through subsidiaries, joint control or significant influence, and the fact that a corporation conducts a high volume of such transactions should not automatically lead to the conclusion that something fishy is going on (Gordon et al. 2007).

Numerous studies provide evidence of their role in financial crises (Swartz and Watkins 2003; Tague 2004) and in achieving specific aims (Erickson et al. 2000); others do the opposite, demonstrating how RPTs played no strategic role in corporate scandals (Bell & Carcello 2000). While the presence of RPTs does not mean fraudulent financial reporting, failure to recognize or disclose related party transactions was found to be one of the top 10 audit deficiencies in the United States by Beasleye at al. (2001).

Regulators reacted by strengthening the existing rules, introducing new bans and imposing additional statutory requirements, to guarantee stakeholders' rights.

This fails to address the fact that fraud of this kind can be carried out with parties not generally considered related parties. RPTs attract attention due to their inherent risk. Hence regulation cannot exclude a risk approach to evaluating the transactions to be disclosed in order to identify the proper tradeoff between costs and positive effects.

Business literature has provided ample evidence of the consequences of RPTs for a firm's performance. Kohlbeck and Mayhew (2005) suggest that the potential benefit or detriment depends on the parties involved in the transaction or the type of RPTs carried out. Liu and Liu (2007) state that RP sales and purchases are used to encourage cooperation among entities and maximize the operational efficiency and competitiveness of group companies. As a result, RP sales and purchases in China improve corporate performance and increase abnormal stock returns. Chang and Hong (2000) found that firms perform better when the transfers of products and managerial expertise within the group increase. Empirical evidence shows that Chinese firms with high levels of RP loans and guarantees demonstrate significantly poor future performance, including sharp declines in profitability (Jiang et al. 2010).

The higher the level of related party purchase transactions engaged in by Chinese listed companies, the better their financial and market performance (Chen et al. 2009), but there is also a significant negative relationship between related party sales, loans, guarantees, mortgages and leases, and market performance. Some studies indicate a positive relation between RPTs and corporate performance, through increasing sales or reduced transaction costs (Khanna and Palepu 1997), whereas other studies support the evidence that there is a negative association between RPTs and performance, Tobin's q ratio and ROA (Munir & Gul 2011), or ROE (Cheung et al. 2009). This type of evaluation is made harder by the difficulties in the various activities caused by routine versus anomalous transactions (Wong & Ming 2003). For this reason, Chen et al. (2012) divided RPTs into normal and abnormal. The results show that normal RPTs are positively correlated with firm performance (ROA, ROE or ROS) and abnormal RPTs negatively correlated. Pozzoli and Venuti (2014) conclude that in Italy RPTs and ROA are not correlated and there is no evidence of cause and effect. Wen-Yi Lin et al. (2010) claim that it is difficult, if not impossible, to determine whether such transactions are beneficial or detrimental to organizational performance, and this evaluation should be made on a case by case basis.

Other studies evaluate the effect produced by RPTs on corporate value. For instance, Kohlbeck & Mayhew (2009) found that the market assigns lower values and subsequent returns to corporations that engage in certain types of RPTs. This study verified the influence that corporate performance plays on RP revenues.

3 Research question and sample

3.1 Research question

The aim of our analysis is to verify whether there is an association between the intensity of revenues with related parties and a firm's profitability, as well as with trends in turnover. Data was collected from Consolidated Financial Statements in order to limit the effects produced by group size.

In particular, we were not interested in identifying an association between ROI (return on investments), ROE (return on equity) and ROA (return on assets), but we took into account the effects produced by an increase or a reduction in these ratios between 2010 and 2011. The reason was that the selected companies operate in different sectors characterized by different profitability averages. The analysis was also applied to trends in turnover over the same period.

The following questions were asked:

RQ 1) Is there an association between revenues with related parties and corporate profitability?

To identify this correlation we took into account the variation of ROI (the ratio between EBIT and Total Assets) between 2010 and 2011, since it shows core business profitability, whereas other indicators such as ROE and ROA are affected by extraordinary components that may vary without indicating a situation of crisis. A positive association may mean that RPTs are efficient and can help companies achieve improved economic results. On the contrary, a negative association could be a warning sign indicating the inherent risk behind the transactions.

RQ 2) Is there an association between revenues with related parties and trends in turnover?

In the last few years the recession has caused a fall in sales in many sectors, one of the main reasons companies have stopped generating wealth and have started to consume it.

We wanted to see if companies that increase or reduce turnover are more or less involved in carrying out revenues with related parties. A statistical association between the intensity of related party revenues and an increase in turnover may be physiological, whereas an association between the intensity of related party transactions and a fall in turnover might be a means to reduce economic imbalance.

3.2 Sample

The empirical analysis considers the 100 highest capitalized Italian listed companies in 2010. Banks were excluded for two reasons: firstly the structure of their Income Statements differs from other corporations and secondly, because in Italy banks are subject to specific rules on related party transactions. Appendix 1 sets out the list of companies.

3.3 Model design

The model we suggest is innovative and aims to establish the relation between the intensity of RPTs and the variable selected as the best indicator of a company's health.

I.

$$RPR\ intensity = \alpha + \beta i\ \Delta Turn + \beta ii\ \Delta ROI + \beta iii\ \Delta Cash + \beta iv\ Marg2011 + \varepsilon$$

The intensity of RP Revenues is the ratio between RP revenues and 2011 operating revenues. Turnover id preferred to total asset value because it gives a better picture of the company's market position. Different businesses require different investments, which could influence the association with other variables taken into consideration.

The ratio is:

II.

$$RPR\ intensity = \frac{Related\ party\ revenues}{Operating\ revenues}$$

ΔTurn is the relative increase or decrease in turnover between 2011 and 2010. We opted for a ratio in order to reduce the effect produced by the difference in size.

The ratio is:

III.

$$\Delta Turn = \frac{Operating\ revenues\ 2011 - Operating\ revenues\ 2010}{Operating\ revenues\ 2010}$$

ΔROI is the difference between 2011 and 2010 operating profitability. ROI (return on investment) is a performance measure used to evaluate operating profitability. ROI is the ratio between EBIT and Total Assets, chosen because it reflects the core business and is not influenced by other variables such as financial elements or extraordinary results.

The formula is:

IV.

$$\Delta ROI = ROI\ 2011 - ROI\ 2010$$

ΔCash is a financial variable that evaluates a firm's financial trends. It shows the difference between Net Cash Flow in 2011 and in 2010. It was adopted in order to extend the study to the financial dimension.

The formula is:

V.

$$\Delta Cash = \frac{Cash\ 2011 - Cash\ 2010}{Cash\ 2010}$$

Marg 2011 is the relation between EBITDA and Operating revenues in 2011. It is a stock variable, used to verify if companies with higher related revenues in 2011 had higher operating margins in the same year and to test whether there is the same relation between profitability trends and stock value.

The formula is:

VI.

$$\text{Marg 2011} = \frac{EBITDA\ 2011}{Operating\ revenues\ 2011}$$

4 Results

An OLS linear model was used (Model I) to develop the study. All analyses were performed with IBM's SPSS (22). An R^2 of .378 is low, but can be considered adequate because the independent variable is the ratio of related revenues to total operating revenues (Table 1).

Table 1- Model Summary$_b$

Model	R	R Square	Adjusted R Square	Std. Error	Durbin-Watson
1	.615$_a$	.378	.351	.17080	1.775

a. Predictors: (Constant), ΔTurn, ΔROI, ΔCash, Marg2011.
b. Dependent Variable: RP Revenue intensity.

Table 2 -ANOVA$_a$

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1.634	4	.408	14.001	,000$_b$
	Residual	2.684	92	.029		
	Total	4.318	96			

a. Dependent Variable: RP Revenue intensity.
b. Predictors: (Constant), ΔTurn, ΔROI, ΔCash, Marg2011.

Table 3. Coefficients$_a$

Model		Unstand. Coeff.		Stand.Coeffi.		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	.026	.024		1.086	.280
	ΔTurn	-.264	.086	-.285	-3.081	.003
	ΔROI	-1.970	.397	-.479	-4.963	.000
	ΔCash	.071	.022	.301	3.276	.001
	Marg2011	3.878E-18	.007	.306	3.612	.000

Empirical evidence shows the all the variables observed significantly influence the ratio of related revenues to the total, since their p-value is between 0.05 and 0.01.

The results in Table 3 show a negative relation between a fluctuation in turnover and the intensity of RP revenues. Companies with a fall in turnover between 2010 and 2011, in 2011, had the highest RP revenue intensity.

The same association is true of corporate profitability. A reduction in profitability seems to induce companies to declare more revenues from RPTs.

Table 3 shows a positive association between the difference of Net Cash Flow and the intensity of RP revenues. There are two outputs: the first suggests that it would be interesting to extend this type of analysis to the financial dimension of RPTs, and, the second may suggest that RP revenues are used to inject liquidity into firms. This may be useful for the firm, but at the same time it subordinates these transactions to solely a financial necessity. There is also a positive association between Marg2011 and the intensity of RP revenues.

Tables 4 and 5 evaluate the multicollinearity problem.

Table 4. VIF

Model		Collinearity Statistics	
		Tolerance	VIF
1	(Constant)		
	ΔTurn	.788	1.269
	ΔROI	.724	1.380
	ΔCash	.801	1.248
	Marg2011	.944	1.059

Table 5 – Multicollinearity index

Model	Dimension	Eigenvalue	Condition Index
1	1	1.909	1.000
	2	1.613	1.088
	3	.660	1.701
	4	.479	1.996
	5	.339	2.374

VIF values in Table 4 are low and suggest that there are no correlations between independent variables. Furthermore, in Table 5, the multicollinearity index is also slow in confirming the adequateness of the model.

Table 6. Heteroscedasticity

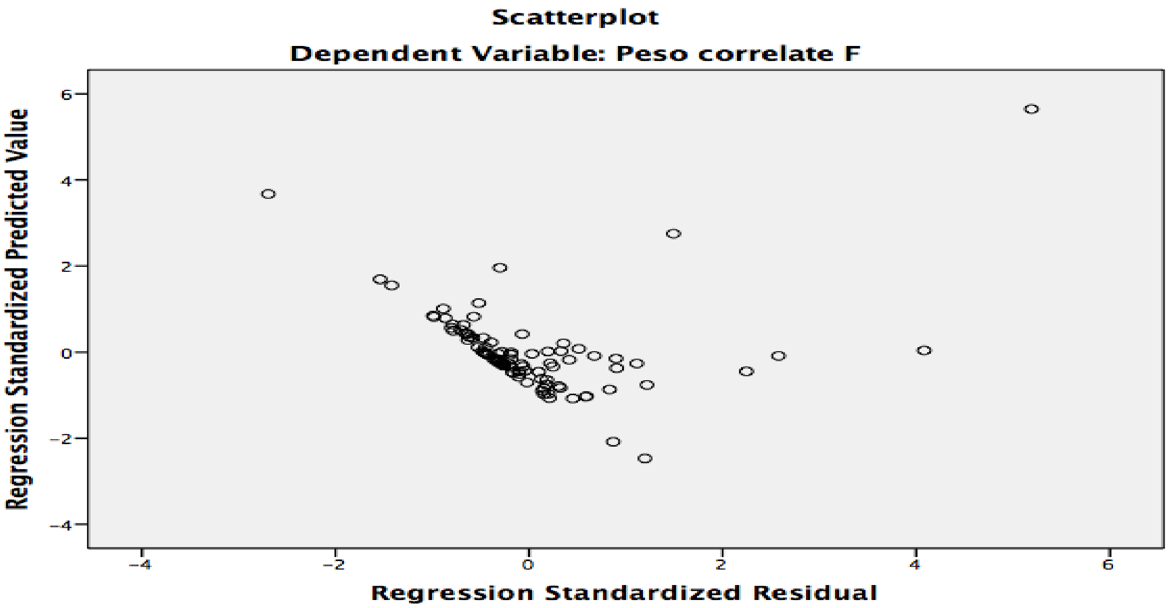

Table 6 shows that our model is not affected by heteroscedasticity.

5 Conclusions

As suggested in the literature, RPTs can be used to carry out abuse with conflicts of interest between ownership and control or between majority and minority shareholders. These transactions are subject to moral hazard, and hence are characterized by a greater inherent risk than other transactions. Regulators have recently strengthened existing rules, introducing new bans and requirements, aimed at guaranteeing the substantive and economic fairness of these transactions.

The aim of the regulatory process is to guarantee the proper use of RPTs. This paper provides evidence of the potential risk of these operations. Focusing on the revenues made with RPs, we investigated the relation between business trends and the intensity of RP revenues in Income Statements.

The first variable considered is the difference in profitability. Specifically, we investigated the relationship between the difference in ROI (return on investments) and the intensity of RP revenues. Our analysis responds to the first RQ with positive evidence. There is a statistically negative association between ROI trends and the intensity of RP revenues. This is a sign of potential danger because companies that are losing profitability are more likely to turn to RPs for revenues.

The second element that we took into account is the difference in turnover between 2010 and 2011. A fall in turnover is clearly a major concern for a corporation. It may be caused by a problem in the effectiveness of outputs or by adverse environmental and economic conditions. Obviously, in light of the importance of fixed costs in Italian Income Statements, a reduction in turnover can threaten the continuation of the business.

Our analysis responds to the second RQ with positive evidence. There is a statistically negative association between turnover trend and the intensity of RP revenues. This may also be read as a warning because companies that lose turnover are more likely to turn to RPs for revenue. These results partially justify the recent tightening in rules.

We also tested the intensity of RP revenues against two other variables: the variation of Net Free Cash Flow and the EBITDA margin.

There is a positive association between Marg2011 and the intensity of RP revenues. This suggests that companies with a higher margin generate more revenues with RPs. This positive association suggests that RPTs may be instruments to increase corporate profitability. Indeed, they may be carried out at conditions that differ from normal market conditions to cover a reduction in margins. As is known, this is one of the main risks associated with RP transactions. Many could be carried out without a genuine economic reason.

The cash flow trend needs to verify the relation between RP revenues and the financial position of the firm. The study highlights a positive association between these variables. This suggests that companies with a better financial position between 2010 and 2011 are more likely to generate revenue from RPs.

This positive association produces two different outputs: the first suggests that it may be interesting in future research to expand this analysis to the financial dimension of RPTs (for instance considering related cash flow values), and the second underlines that RP revenues are used to inject liquidity into corporations (a binomial correlation may be found). This may be useful for corporations but at the same time it could relegate these transactions to solely financial necessity.

These two results are realted because a higher EBITDA margin may produce an increase in cash flow.

This study provides a starting point for future research, which could extend our analysis (dealing only with economic effects) to include financial effects and consider other elements that are influenced by the intensity of RP revenues.

In future research we intend to expand this sample and, at the same time, in line with the literature, include in the model control variables better able to explain the effects produced by independent variables and to reduce error . This paper considers the intensity of RP revenues in 2011, and it may be of interest to analyze the same association with a trend in RP revenues.

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Appendices

Appendix 1

1	A.S. ROMA SPA
2	A2A S.P.A.
3	ACEA S.P.A.
4	ACOTEL GROUP SOCIETA' PER AZIONI
5	ACSM-AGAM S.P.A.
6	AEDES SPA
7	AEFFE S.P.A.
8	AEROPORTO DI FIRENZE S.P.A.
9	AMPLIFON S.P.A.
10	ANSALDO STS S.P.A.
11	ARNOLDO MONDADORI EDITORE SPA
12	ASCOPIAVE S.P.A.
13	ASTALDI S.P.A.
14	ATLANTIA S.P.A.
15	AUTOGRILL S.P.A.
16	AUTOSTRADE MERIDIONALI S.P.A.

Appendix 1- Continued

17	B. & C. SPEAKERS - SOCIETA' PER AZIONI
18	BASIC NET S.P.A.
19	BASTOGI S.P.A.
20	BE S.P.A.
21	BEGHELLI S.P.A.
22	BEST UNION COMPANY S.P.A.
23	BIESSE S.P.A.
24	BREMBO S.P.A.
25	BUZZI UNICEM S.P.A.
26	CAIRO COMMUNICATION S.P.A.
27	CALTAGIRONE EDITORE S.P.A.
28	CEMBRE S.P.A.
29	CEMENTIR HOLDING S.P.A.
30	CIR S.P.A.
31	COFIDE - GRUPPO DE BENEDETTI S.P.A.
32	DANIELI & C. S.P.A.
33	DATALOGIC S.P.A.
34	DAVIDE CAMPARI-MILANO S.P.A.
35	DE' LONGHI S.P.A.
36	DIASORIN S.P.A.
37	EL.EN. - S.P.A.
38	EMAK S.P.A.
39	ENEL - SPA
40	ENEL GREEN POWER S.P.A.
41	ENGINEERING - INGEGNERIA INFORMATICA - S.P.A.
42	ENI S.P.A.
43	ERG S.P.A.
44	ESPRINET S.P.A.
45	FALCK RENEWABLES S.P.A.
46	FIERA MILANO S.P.A.
47	FINCANTIERI S.P.A.
48	FINMECCANICA S.P.A.
49	FNM S.P.A.
50	GEOX S.P.A.
51	GRUPPO EDIT ORIALE L'ESPRESSO S.P.A. SI
52	HERA S.P.A.
53	IGD SIIQ S.P.A.
54	IMA S.P.A.
55	IMMSI S.P.A.
56	INTERPUMP GROUP S.P.A.
57	IREN S.P.A.
58	ITALCEMENTI FABBRICHE RIUNITE CEMENTO S.P.A.
59	ITALMOBILIARE SPA

Appendix 1 - Continued

60	JUVENTUS F.C. - S.P.A.
61	LA DORIA - S.P.A.
62	LUXOTTICA GROUP SPA
63	MAIRE TECNIMONT S.P.A.
64	MARR S.P.A.
65	MEDIASET S.P.A.
66	NICE S.P.A.
67	OLIDATA S.P.A.
68	PARMALAT S.P.A.
69	PIAGGIO & C. S.P.A.
70	PIRELLI & C. S.P.A.
71	PRADA S.P.A.
72	PRELIOS S.P.A.
73	PRIMA INDUSTRIE - S.P.A.
74	PRYSMIAN S.P.A.
75	RCS S.P.A.
76	RECORDATI INDUSTRIA CHIMICA E FARMACEUTICA S.P.A.
77	REPLY S.P.A.
78	RISANAMENTO SPA
79	SABAF S.P.A.
80	SAFILO GROUP S.P.A.
81	SAIPEM S.P.A.
82	SALVATORE FERRAGAMO S.P.A.
83	SARAS S.P.A.
84	SAVE S.P.A.
85	SEAT PAGINE GIALLE S.P.A.
86	SERVIZI ITALIA S.P.A.
87	SNAI S.P.A.
88	SNAM S.P.A.
89	SOCIETA' INIZIATIVE AUTOSTRADALI E SERVIZI S.P.A.
90	SOGEFI S.P.A.
91	SOL S.P.A.
92	SORIN SPA
93	TAMBURI INVESTMENT PARTNERS S.P.A.
94	TELECOM ITALIA SPA
95	TERNA S.P.A.
96	TOD'S S.P.A.
97	TREVI - FINANZIARIA INDUSTRIALE S.P.A.
98	VIANINI LAVORI - S.P.A
99	YOOX S.P.A.
100	ZIGNAGO VETRO S.P.A.