EDITORIAL

Dear readers!

This second issue of the journal provides contributions to the exploration of subjects related to different areas of research: public and private sectors, capital market, merger and acquisition, corporate governance and risk management. In particular, the issues dealt with concern: external audit in health care organizations, risk reporting and credit derivative disclosure in the banking sector, risk-based management control, governance and financial factors in reverse merger, price to earnings ratio and interest rates in the capital market.

In particular, *George Drogalas, Alkiviadis Karagiorgos, Dimitrios Mitskinis and Nikolaos Antonakis* examine the relationship between the quality of audit and the influence of some factors (general principles and responsibilities, risk assessment, audit evidence and the use of work of internal audit) in health care organizations of Northern Greece. The multiple regression analysis shows, inter alia, a positive correlation between external audit quality and "risk assessment", "audit evidence" and "using the working of others".

Abdelmoneim Bahyeldin, Mohamed Metwally, Hesham Ali Ahmed Ali, Ahmed Abdelnaby Diab and Khaled Said Hussainey deal with the insights provided in management control studies about risk-based management control practices and their unintended consequences. The Authors observe that there are heterogenic practices and various unintended consequences (the illusion of control, losing opportunities, etc.).

Enzo Scannella analyzes the derivative disclosure in banks' annual reports. The purpose of this research is to evaluate the different measure of credit derivatives disclosure with reference to the four largest European banks, one for each country, ranked by market capitalization. The paper shows that there is room to improve various aspects of derivatives disclosure in the annual statements.

Umi Kulsum, Sudarso Kaderi Wiryono, Yunieta Anny Nainggolan study different variables that affect reverse merger companies' performance and their survival. This study proposes a new conceptual model on how corporate governance and financial factors affect the reverse merger performance and survival, based on literature review.

Abdel Razaq Farah Freihat investigates the factors that have an impact on the price to earnings (P/E) ratios in Jordanian industrial public shareholding companies listed on the Amman Stock Exchange. He examines the whole study population that consists of sixty companies, during the period 2011-2016. The results attained show there is a significant positive impact of dividend payout ratio and size on P/E ratio, whilst leverage, earnings growth and interest rate have no impact on P/E ratio.

Mohammad Al-Attar, Osama Samih Shaban and Nafez Nimer Ali analyze the relationship between the effective interest rates paid for financial instruments and consumer price index rate during the period 2010-2018. Correlation analysis shows the existence of a negative relationship between them.

Some of the aspects of the topics studied in the mentioned papers were previously explored in the academic literature.

There are various studies that analyze the influence of some factors on the quality of audit in public administration in general (Pilcher et al., 2013; Goddard and Malagila, 2015). Some authors investigate this kind of relationship with reference to health care organizations working in a specific geographical area (Krishnan, 2005; Chien et al., 2010). George Drogalas, Alkiviadis Karagiorgos, Dimitrios Mitskinis and Nikolaos Antonakis contribute to this area of research analyzing the existent correlation between some factors and the quality of audit in health care organizations located in the Greek contest.

There is a wide range of literature that analyzes companies' governing and controlling practices, especially after the global financial crisis. These studies explore risk-based management control from different points of view. Many studies analyze Enterprise Risk Management (Andersen & Schrøder, 2010; Bromiley et al., 2015; Jordan et al., 2013; Gatzert & Martin, 2015; McShane, 2018; Power, 2007; Soin et al., 2014) whereas some research is more focused on COSO, one of the most important risk management systems adopted by the companies (Hayne et al., 2014; Olson et al., 2008; Arena et al., 2010). Abdelmoneim Bahyeldin, Mohamed Metwally, Hesham Ali Ahmed Ali, Ahmed Abdelnaby Diab and Khaled Said Hussainey contribute to this debate highlighting, on one hand, the existence of some heterogenic practices and their unintended consequences and, on the other hand, the need of a better conceptualization of what is risk-based management control and what are the best practices.

An important field of research regards the relationship between corporate risk exposure and financial statements disclosure. Recently, there is a particular attention to attain information from financial reports in order to evaluate, in an appropriate way, the companies' risk profile about financial instruments, insurance contracts and derivatives (Emm, Gay, & Ren, 2019; Scannella & Pilizzi, 2019) as well as papers by Netti (2018), Kostyuk and Barros (2018), Grove and Clouse (2017), Zhang, Taylor, Qu, & Oliver (2013), Young (2010). Over the time, accounting standard setters and local regulators require the companies to the public more and more information that may be useful in order to put the investors in the condition to evaluate the company prospective in the light of existent specific risks and how they are managed. Examples of this evolution are the new requirements regarding classification, measurement and disclosure of financial instruments and insurance contracts set forth by the new international accounting standards (IFRS 9 and IFRS 17). These standards are significantly orientated to the satisfaction of investors' needs and have been studied before by García, Román, & Jiménez (2018), Cuong (2011).

This field of research is sometimes called "Risk and Accounting" so to highlight the existent strict link between financial statements and risk management. Risk and Accounting is an aspect where there is room for academic investigations in order to evaluate if the companies provide useful information regarding the measurement of specific kinds of risks (financial risks, insurance risks, etc.) and suggest possible improvements to the regulation when it appears not adequate.

Enzo Scannella's paper can be included in this stream of research. In particular, analyzing credit derivative disclosure, Enzo Scannella expresses the opinion that risk disclosure will increase after the introduction of the Pillar 3 disclosure requirements (banking supervisory regulation) and the new IFRS 9 (accounting requirements).

Some studies investigate reverse merger performance. Especially, some Authors analyze the survival rate for reverse merger (Faelten et al., 2014) and the determinants of reverse merger survival and performance (Jambal et al., 2014). With their paper, Umi Kulsum, Sudarso Kaderi Wiryono and Yunieta Anny Nainggolan offer a possible conceptual framework of the variables affecting reverse merger survival and performance.

Other important issues are P/E ratio and the effective interest rate in the Jordanian capital market. A large number of studies discuss the factors that influence P/E ratio (Anderson & Brooks, 2006; Azam, 2010; Krishan & Chen, 2017). Abdel Razaq Farah Freihat, using panel data regression, provides useful insights regarding the Jordanian publicly traded companies and the possible ways to attract investors' capitals.

Various theoretical studies explore the linkages between the effective interest rate and the rate of inflation (Boamah, 2019; Lopez & Mignon, 2017). Mohammad Al-Attar, Osama Samih Shaban and Nafez Nimer provide an empirical study based on the correlation between the interest rate and the consumer price index in the Jordanian capital market. It may represent an input to testify the results attained in other environments to better understand the real impact of this research.

Dr. Marco Venuti, Roma Tre University (Italy),
Editorial Board member,
Risk Governance and Control:
Financial markets and institutions journal

REFERENCES

1. Andersen, T. J., & Schrøder, P. W. (2010). *Strategic risk management practice: How to deal effectively with major corporate exposures.* https://doi.org/10.1017/CBO9780511816017
2. Anderson, K., & Brooks, C. (2006). Decomposing the price-earnings ratio. *Journal of Asset Management, 6(6),* 456-469. https://doi.org/10.1057/palgrave.jam.2240195
3. Arena, M., Arnaboldi, M., & Azzone, G. (2010). The organizational dynamics of enterprise risk management. *Accounting, Organizations and Society, 35(7),* 659-675. https://doi.org/10.1016/j.aos.2010.07.003
4. Azam, M. (2010). Factors influencing the price-earnings multiples and stock values in the Karachi stock exchange. *Interdisciplinary Journal of Contemporary Research in Business, 2(5),* 105-139.
5. Boamah, M. (2019). Inflation dynamics in a small developing economy: An empirical analysis for Ghana. *The Journal of Developing Areas, 53(3).* https://doi.org/10.1353/jda.2019.0049
6. Bromiley, P., McShane, M., Nair, A., & Rustambekov, E. (2015), enterprise risk management: review, critique, and research directions. *Long Range Planning, 48(4),* 265-276. https://doi.org/10.1016/j.lrp.2014.07.005
7. Chien, W. W., Mayer, R. W., & Sennetti, J. T. (2010). Audit committee effectiveness in the largest US public hospitals: An empirical study. *Accounting & Taxation, 2(1),* 107-127.
8. Cuong, N. H. (2011). The possibilities of adopting IAS/IFRS in Vietnam: An analysis. *Corporate Ownership & Control, 9(1-1),* 161-171. http://dx.doi.org/10.22495/cocv9i1c1art1
9. Emm, E. E., Gay, G. D., & Ren, H. (2019), Corporate risk exposures, disclosure, and derivatives use: A longitudinal study, *Journal of Futures Markets*, 39 (7), 838-864. https://doi.org/10.1002/fut.22013
10. Faelten, A., Levis, M., Appadu, N., Badham, D., & Moeller, S. (2014). *Reverse takeovers: Are they a viable alternative to IPOs?* (MARC Working Paper Series, Cass Business School).
11. Gatzert N., & Martin M. (2015). Determinants and value of enterprise risk management: Empirical evidence from the literature *Risk Management and Insurance Review, 18(1),* 29-53. https://doi.org/10.1111/rmir.12028
12. Goddard, A., & Malagila, J. (2015). Public sector external auditing in Tanzania: A theory of managing colonizing tendencies. *The Public Sector Accounting, Accountability and Auditing in Emerging Economies, 15,* 179-222.
13. Grove, H., & Clouse, M. (2017). Corporate governance principles and sustainability. *Corporate Governance and Sustainability Review, 1(2),* 13-19. http://doi.org/10.22495/cgsrv1i2p2
14. Hayne, C., & Free, C. (2014). Hybridized professional groups and institutional work: COSO and the rise of enterprise risk management. *Accounting Organizations and Society, 39(5),* 309-330. https://doi.org/10.1016/j.aos.2014.05.002

15. Jambal, K., Lee, B., Lee, S. W., & Park, K. (2012). *Reverse takeover and firm survivability* (KAIST Business School Working Paper Series). https://doi.org/10.2139/ssrn.2104974
16. Jordan, S., Jorgensen, L., & Mitterhofer, H. (2013). Performing risk and the project: Risk maps as mediating instruments. *Management Accounting Research, 24(2),* 156-174. https://doi.org/10.1016/j.mar.2013.04.009
17. Kostyuk, A., & Barros, V. (2018). Corporate governance and company performance: Exploring the challenging issues. *Corporate Governance and Organizational Behavior Review, 2(2),* 25-31. http://doi.org/10.22495/cgobr_v2_i2_p3
18. Krishnan, J. (2005). Audit committee and internal control: An empirical analysis. *The Accounting Review, 80(2),* 649-675. https://doi.org/10.2308/accr.2005.80.2.649
19. Krishnan, C. N. V., & Chen, Y., (2017). *The relationship between dividend payout and P/E.* Retrieved from SSRN http://dx.doi.org/10.2139/ssrn.3016040
20. Lopez-Villavicencio, A., & Mignon, V. (2017). Exchange rate pass-through in emerging countries: Do the inflation environment, monetary policy regime and central bank behavior matter? *Journal of International Money and Finance, 79*, 20-38. https://doi.org/10.1016/j.jimonfin.2017.09.004
21. McShane, M. (2018). Enterprise risk management: history and a design science proposal. *Journal of Risk Finance, 19(2)*, 137-153.
22. Netti, A. (2018). Firm determinants of risk disclosure: Evidence from Italian listed companies. *Corporate Ownership & Control, 16(1-1),* 168-177. http://doi.org/10.22495/cocv16i1c1art5
23. Olson, D. L., & Wu, D. (2008). *New frontiers in enterprise risk management*. Berlin, Heidelberg: Springer. https://doi.org/10.1007/978-3-540-78642-9
24. Pilcher, R., Gilchrist, D., Singh, H., & Singh, I. (2013). The interface between internal and external audit in the Australian public sector. *Australian Accounting Review, 23(4)*, 330-340. https://doi.org/10.1111/auar.12032
25. Power, M. (2007). *Organized uncertainty: Designing a world of risk management*. Oxford: OUP.
26. Scannella, E., & Polizzi, S. (2018). Market risk disclosure in banking: an empirical analysis on four global systemically important European banks. *Journal of Banking Regulation*, *19(2),* 87-100. https://doi.org/10.1057/s41261-017-0039-y
27. Soin, K., Huber, C., & Wheatley, S. (2014). Management control and uncertainty: Risk management in universities. In D. Otley & K. Soin (Eds.), *Management control and uncertainty*. UK: Palgrave Macmillan. https://doi.org/10.1057/9781137392121_12
28. Villanueva García, J., Cordova Román, C., & Cuenca Jiménez, M. T. (2018). Adoption of IFRS in Ecuador and Colombia 2010-2016. *Corporate Ownership & Control, 16(1-1),* 178-184. http://doi.org/10.22495/cocv16i1c1art6
29. Young, J. (2010). Corporate governance and risk management: A South African perspective. *Corporate Ownership & Control, 7(3)*, 138-148. http://doi.org/10.22495/cocv7i3p10
30. Zhang, X., Taylor, D., Qu, W., & Oliver, J. (2013). Corporate risk disclosures: Influence of institutional shareholders and audit committee. *Corporate Ownership & Control, 10(4-3),* 341-354. http://doi.org/10.22495/cocv10i4c3art5