

**EAA 2003 Congress
Seville, Spain
2nd – 4th April, 2003**

**CONGRESS
ABSTRACTS BOOK**

**ACCOUNTING AND CAPITAL
MARKETS**

FINANCE AND FINANCIAL MANAGEMENT

FFM-005

IS THERE ANY INDUSTRY CONSENSUS ON RISK? EVIDENCE FROM UK VENTURE CAPITAL CONTRACTING IN HIGH-TECHNOLOGY ENTERPRISES

NERVION 1 ROOM
April 4: FRI. 15:00-17:00

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This paper argues that there is a coherent and statistically significant pattern of investor conduct towards risk, arising from backing high-technology ventures. It uses evidence from interviews with the twenty leading venture capital investors in high technology enterprises in the UK. It shows that there is a kind of 'industry standard', or consensus, by investors, concerning what is most important, in terms of level of risk and factors determining it. Specifically, it is found that there is industry consensus on what are high risk and low risk investments, and on what are the key commercial factors affecting risk. However, this industry consensus crumbles when the influence of non-commercial factors on risk is considered.

FFM-006

THE RISK-RETURN RELATIONSHIP IN AN ASSYMETRIC INFORMATION CONTEXT: AN APPLICATION TO THE SPANISH MARKET

GIRALDA 3 ROOM
April 2: WED. 17:30-19:00

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The asset pricing models generally assume the existence of complete information. In this way, these models disregard the possibility of informational deficiency and, consequently, of risk of estimation. Therefore, stocks with the same estimation of risk should show the same return level. However, evidence exists of a relationship between the return and information degree in the USA stock market. Concretely, stocks with lower information show greater return.

The aim of this paper is to see whether the information differential affects the stock returns in the Spanish market. Usually attention given by financial analysts to the firm, expressed by the number of earnings estimations, has been used as a proxy of the differential information. Nevertheless, in this paper we use a different point of view based on the approach of Hong, Lim and Stein (2001). In particular, given the close relationship between the firm size and the number of analysts following the firm, we use residual from the regression of the number of analysts on firm size as a proxy of the information differential.

The results show, firstly, that the CAPM cannot explain the return difference among portfolios constructed by the residual coverage level. So, it is possible to think that the information differential should be used when we try to explain the return behaviour. We find similar results when we use the Fama-French model instead of the CAPM.

With this evidence, the next step is to explain how the information differential can affect the stock return level. Firstly, if we consider that the firms with less information should bear

higher risk, the risk premium associated with a differential information factor should be significant. To check this, we include in the usual models a common risk factor in the same way as the Fama-French factors, and we use the difference between the return of firms with lower and higher information level. We find that the market doesn't price this factor.

But this result doesn't imply that the attention degree doesn't contain information affecting return. We can think that as a firm has received more attention in the past, the level of available information about it is greater in the present, and the investors ask for a lower premium by supporting the risk associated with the differential information. In this sense, the aggregate attention could be considered as a state variable that could condition the risk-return relationship. Then, finally, we test a conditional CAPM using the residual aggregate attention as an instrument and we find that this variable can forecast and, therefore, explain returns with a significant level.

FFM-007

DISTRIBUTION AND REASONS EXPLAINING MERGERS AND ACQUISITIONS (M&A) IN EU COUNTRIES AND THE US

ARENAL 3 ROOM
April 3: THU. 15:00-16:30

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The M&A phenomenon has more than one century and has reached a particular highlight as the previous millenium went away. In fact, several mega operations occurred in the late nineties, particularly between 1998 and 2000, and it was very well widespread by worldwide media. The growing importance and dimension of the capital markets and also new business strategies seem to provide a major role for business combinations in a more global economy.

The purpose of this paper is to analyse the M&A distribution among EU countries and the US. To achieve that we used several data, such as M&A activity and market capitalization, from 1990 to 1999. We also present some reasons that could explain the evolution of M&A activity in the EU in the nineties. The methodology used in the study is based on the regression model and in the 2000 European Comission M&A report.

FFM-008

CASH FLOW ESTIMATION PRACTICES OF GREEK SMALL FIRMS

RES.FORUM 1
April 3: THU. 17:00-18:30

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The purpose of this study is to present the results of a survey of cash flows practices used by small greek firms, consequently the outline of this study is as follow: In the first section there is evidence in the literature that previous works have heavily concentrated on developing techniques for measuring the appropriate discount rate and cash flows. The second section explains the methodology we used. The third section introduces and analyses the results of this survey and the last section presents some conclusions and suggestions for further research.

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