

**CORPORATE
OWNERSHIP & CONTROL**

**КОРПОРАТИВНАЯ
СОБСТВЕННОСТЬ И КОНТРОЛЬ**

Postal Address:

Postal Box 36
Sumy 40014
Ukraine

Tel: +380-542-611025
Fax: +380-542-611025
e-mail: alex_kostyuk@mail.ru
alex_kostyuk@virtusinterpress.org
www.virtusinterpress.org

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Почтовый адрес редакции:

Почтовый ящик 36
г. Сумы, 40014
Украина

Тел.: 38-542-288365
Факс: 38-542-288365
эл. почта: alex_kostyuk@mail.ru
alex_kostyuk@virtusinterpress.org
www.virtusinterpress.org

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EDITORIAL

Dear readers!

This issue of the journal *Corporate Ownership and Control* is devoted to several issues of corporate governance.

Raymond A. K. Cox and Adishwar V. Jain examine the financial characteristics and the operating performance of Canadian domiciled parents, before and after a demerger, including an inspection of the financial profile of the divested subsidiaries subsequent to the spinoff or carveout. Additionally, the shareholder wealth impact on parents that demerge is studied including the share volume trading activity.

Sema Dube, John L. Glascock and Rafael Romero study the long-term performance and risk metrics of acquirers and find that friendly acquisitions, in conjunction with other acquisition characteristics such as method of payment and mode of acquisition, tend to be risk increasing transactions and may also show a decrease in long-term post-acquisition abnormal performance.

Mthuli Ncube reviews aspects of corporate governance as it impacts on the valuation and performance of firms. He considers the theoretical framework for corporate governance as an internal regulation mechanism, on the basis of principal agent problems, incentive contracts, and asymmetric information. He also discusses present various corporate governance practices around world. The paper discusses the empirical evidence on how the quality of corporate governance practices impact on the valuation of a firm and its general performance. Stylized facts on corporate governance practices in Africa and also presented.

Joaquim Rubens Fontes Filho and Moisés Balassiano based on the criticism related to the agency theory, particularly when drawing up incentive schemes, aim to look at alternative theories to build corporate governance practices that include considerations on extrinsic and intrinsic motivation of agents.

Hongxia Li and Ainian Qi examine the impact of corporate governance on voluntary disclosure in 100 non-financial Chinese listed firms for the period 2003-2005. There are two main findings. (1) Firms with high Managerial ownership have high level of voluntary disclosure. If a firm has a high managerial ownership, managers are much more concerned about the benefit of shareholders and stock options will have incentives to contribute the firm. Thus, a capital structure with high managerial ownership decreases agency costs and increases the voluntary disclosure. (2) the significant correlation is identified ownership concentration with the voluntary disclosure. This is because the largest shareholders have a strong interest in firm

performance and therefore a high ability to increase voluntary disclosure. Our empirical results further illustrate that big firms have inclination of voluntary disclosure through stock market and the exogenous mechanism between them is exposed.

Wesley Mendes-da-Silva, Ervin L. Black and Joshua S. Mallett examine the association between product diversification and corporate governance. They add to the pool of current knowledge in three ways. First, we include the effects of strategy on diversification in our model. Second, they eliminate observations that have both good corporate governance and unchanging, high diversification that Anderson et al (2000) attribute to a confounding theory. Third, they use Brazilian data.

Wesley Mendes-da-Silva, Theodore E. Christensen and Vernon J. Richardson examine the determinants of voluntary disclosure of financial information on the Internet by Brazilian firms. Cross-sectional analyses based on 291 non-financial companies listed on the São Paulo Stock Exchange in 2002 indicate that both firm size and the quality of corporate governance are positively related to the level of voluntary disclosure of financial information on the Internet. These results are consistent with the notion that Brazilian firms with incentives to improve financial transparency disclose more financial information on the Internet. Compared to similar Internet disclosures of U.S.-domiciled companies, this study finds that corporate governance is an incremental determinant of Internet financial disclosure for Brazilian enterprises.

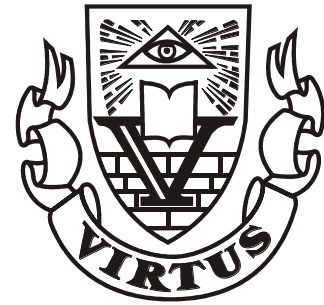
Philémon Rakoto studies on the hubris hypothesis and governance structure and aimed at predicting whether managers will choose to record a goodwill impairment loss. Using a sample of high-tech Canadian firms, we noted that firms where: (1) managers showed excessive confidence, (2) the CEO cumulates the function of chairman and (3) the dominant shareholder was also a manager tended to record a goodwill impairment loss. The results are consistent with those of previous studies, which suggest that systematic differences exist between firms that choose alternative accounting methods. Hence, the results provide further support in the developing framework of a positive theory of accounting methods.

Frederick H. deB. Harris, Sherry L. Jarrell, Thomas H. McInish and Robert A. Wood examine a series of DaimlerChrysler events and finds unique evidence about whether disclosure requirements can compensate for weak corporate governance standards in protecting minority shareholders from expropriation. They show that strict disclosure requirements, though they improve the flow of information to all shareholders, fail to substitute for strong corporate governance measures. Strict disclosure complements strong corporate governance, and both may be required to create environments in which firms can raise capital and fund growth opportunities most efficiently.

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