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# The Impact of Earnings Management Type and Stock Repurchases

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## ABSTRACT

*Many studies examine open-market stock-repurchase (OMSR) programs but more recent ones investigate whether firms tend to use increase or decrease discretionary accruals prior to engaging in OMSR. Our study adds to this literature by postulating that the difference between the free cash flow (FCF) and the amount repurchased (REP) is a determinant in understanding managerial motives for OMSR. If firms are motivated by cash payout, their  $FCF > REP$  and they employ earnings management methods that decrease earnings prior to the OMSR announcement. Conversely, firms with intentions to signal exhibit  $FCF < REP$ , thereby using external funds to repurchase. To enhance external financing, they engage in earnings management that increases discretionary accruals. Results are consistent with expectations: Firms with inadequate free cash flows increase earnings accruals to signal, while firms with more free cash flows than the amount repurchased utilize income-decreasing earnings management methods prior to the cash payout, and buy back within the limits of their free cash flows.*

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# **A STUDY OF INVESTMENT BEHAVIOR AND RISK TOLERANCE: INTRODUCING THE LOTTERY STOCK DIVIDEND OPTION**

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## **ABSTRACT**

*In this study the authors provide a conceptual frame, which places stock market dividend activity on a par with state sponsored lottery systems. The familiar theme of “Wall Street meets Main Street” links the two areas by providing a competitive financial structure which would allow investors to forego and option dividends to allow quarterly and or annual drawings resulting in extraordinary returns, thus allowing investors to set their level of risk by the proportion of dividends allocated to the lottery. The result is a system that will continue the current structure of the investment market with a sub part which is in essence a lottery system. The difference is with a standard gamble such as the purchase of a lottery ticket there is a win or lose proposition. The stock dividend lottery player has a bet on incremental income, but does not lose principal and may gain offsetting appreciation in value associated with the appeal of the stock dividend lottery system. It is acknowledged that IRS § 451 constructive receipt must be modified to allow the dividend allocation to the winners of the pool with no tax consequences to the losers. A simulation of the stock dividend lottery system was conducted using data from 65 faculty, and 19 MBA students of the School of Business. The experiment indicated that when faced with the decision to allocate or not to allocate stock dividends to lottery pools, roughly 80 percent chose to forego current dividends to play their shares in the dividend lottery gamble. The results for the MBA students indicated that 18 out of 19, or 89 percent placed their dividends in the pool. As expected students were significantly more risk prone with 93% placing either all or more than 50% of their dividends into the lottery. These students indicated that the dividend lottery option would add value to the market value of the underlying stock investment.*

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# THE IMPACT OF EMPLOYEE OWNERSHIP ON MANAGERIAL EFFECTIVENESS

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## ABSTRACT

*In order to align the incentives of employees with those of stockholders, many firms have established Employee Stock Ownership Programs (ESOPs). Authorized under the Employee Retirement Income and Security Act of 1974 (ERISA), such programs facilitate the purchase by employees of the employer's shares, thereby fostering an "ownership culture" in the workplace. It is believed that as part owners of the firm, managers are more likely to make decisions that are in the best interest of stockholders. The results of earlier published research indicate that ESOP firms do, in fact, manage their investment in assets more efficiently; Total asset turnover was significantly greater for ESOP firms than for a size- and industry-matched sample of non-ESOP counterparts. In this paper, we build upon our prior work to focus on the effect of ESOPs on firm efficiency and profitability. This is done through a breakdown of performance into its fundamental components through both the traditional Dupont breakdown and through an analysis of profitability at various levels of the income statement. Our results indicate that enhanced performance is generally derived from more efficient asset turnover, in particular through more efficient use of working capital. This result extends the frontier of understanding in the area of the effect of ESOPs on firm performance in public companies.*

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# **U.S. MANUFACTURING UNEMPLOYMENT IN THE RECESSION: THE IMPACT OF OFFSHORING AND UNAUTHORIZED RESIDENT POPULATIONS**

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## **ABSTRACT**

*Employment in the manufacturing industry has declined. The year 2010 was the first time in over a decade that jobs were added in industry. The manufacturing sector is comprised of establishments engaged in the mechanical or chemical transformation of materials or components into new products. Given the high levels of U.S. manufacturing unemployment since the onset of the most recent recession, it has been argued that the high unemployment rate is due to off shoring and unauthorized residents. This study supports the argument that the high levels of U.S. manufacturing unemployment is due to off shoring and refutes the argument that the high manufacturing unemployment is due to unauthorized resident populations. It explores the relationships between the changes in unemployment in the manufacturing industry, unauthorized resident populations, and off shoring. This study also provides insights on the impact of off shoring and illegal immigration on manufacturing unemployment during the recession.*

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# A COMPETITIVE INVESTMENT STRATEGY FOR OFFSETTING CONSUMER PRICE INCREASES

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## ABSTRACT

*The purpose of this research is to examine the impact of a subset of the Consumer Price Index (CPI) on household expenses. We study consumer energy and food inflation on Americans and develop a conceptual strategy to offset the inflation caused by these areas. During the time period studied, the inflation rate for food and gas segments was 41.7 percent, compared to the overall inflation rate of 7.3 percent. However, research regarding hedging strategies to alleviate the impact of rising food and energy prices for consumers is scarce. Motivated by the knowledge gap in this area, this study investigates how investments in common stocks can lessen the impact of inflation. The data indicates food cost increased by 5.3 percent and gasoline increased by 93.4 percent. The model configured in differing scenarios suggests an approximate number of stocks that consumers should invest in to earn a total return of dividends and appreciation of value consistent with inflation experienced with energy and food expenditures. These scenarios indicated that the purchase of the industry's leading company should provide the greatest hedge. In particular, the successful model earned \$4,864.23 with the target of \$4,253.40; in contrast the portfolio consisting of the top 60 percent of industry earned \$4,542.55. The model developed via sensitivity analysis is significant and has practical application.*

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# **Interest Rates and Their Relationship to New Loan Applications, New Home Construction, and Housing Prices**

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## **ABSTRACT**

*This paper examines the relationship between interest rates, new loan applications, new home construction, and housing prices. Past research has shown that interest rates have a negative correlation with new loan applications, new home construction, and housing prices. Data for interest rates, new loan applications, new home construction, and housing prices were collected for years 2000-2006. The data was then tested and showed a significant negative correlation did indeed exist between interest rates, and new loan applications and new home construction; but not with housing prices. As interest rates decreased/increased, new loan applications, new home construction, and housing prices increased/decreased. This relationship is important due to the sizable share of the United States economy that the real estate market encompasses. The economic decline in the United States starting in 2008 was caused in part by the housing bubble, so it is important to understand the relationship between interest rates, new loan applications, new home construction, and housing prices.*

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# **SUCCESSFULLY COMPLETING A FIVE-YEAR MBA PROGRAM**

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## **ABSTRACT**

*Educational developments in recent years have led to the implementation of hybrid programs designed to allow students to accelerate their learning and earn degrees in a shorter amount of time. One such discipline that has adopted this philosophy is the business field. Universities across the country have adopted five-year MBA programs where students complete their undergraduate degree in 3-3.5 years and use the remaining 1.5-2 years to earn their graduate degree. The following is one student's opinion about her navigation through such a program.*

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