
Cheng-Few Lee • Alice C. Lee
Editors

Encyclopedia of Finance

Third Edition

With 194 Figures and 312 Tables



Springer

Contents

Volume 1

Part I Terms and Essays	1
1 Terms and Essays	3
Cheng-Few Lee and Alice C. Lee	
Part II Papers	509
2 Deposit Insurance Schemes	511
James R. Barth, Nguyen Nguyen, and Jiayi Xu	
3 Gramm-Leach-Bliley Act: Creating a New Bank for a New Millennium	529
James R. Barth and Shen Zhang	
4 Pre-funded Coupon and Zero-Coupon Bonds: Cost of Capital Analysis	541
Suresh Srivastava and Ken Hung	
5 Intertemporal Risk and Currency Risk	555
Jow-Ran Chang and Mao-Wei Hung	
6 Credit Derivatives	573
Ren-Raw Chen and Jing-Zhi Huang	
7 Foreign Exchange Risk Premium and Policy Uncertainty	585
Thomas C. Chiang	
8 Treasury Inflation-Protected Securities	601
Quentin C. Chu and Deborah N. Pittman	
9 Asset Pricing Models	613
Wayne E. Ferson	
10 Conditional Asset Pricing	629
Wayne E. Ferson	

11	Conditional Performance Evaluation	639
	Wayne E. Ferson	
12	Working Capital and Cash Flow	651
	Joseph E. Finnerty	
13	Evaluating Fund Performance Within the Stochastic Discount Factor Framework	667
	Jonathan Fletcher	
14	Duration Concepts, Analysis, and Applications	681
	Zvika Afik, Iraj Fooladi, Gady Jacoby, and Gordon Roberts	
15	Loan Contract Terms	703
	Aron Gottesman	
16	Chinese A and B Shares	713
	Yan He	
17	Decimal Trading in the U.S. Stock Markets	719
	Yan He	
18	The 1997 NASDAQ Trading Rules	723
	Yan He	
19	Reincorporation	729
	Randall A. Heron and Wilbur G. Lewellen	
20	Mean Variance Portfolio Allocation	743
	Cheng Hsiao and Shin-Huei Wang	
21	Online Trading	753
	Chang-Tseh Hsieh	
22	A Critical Evaluation of the Portfolio Performance Indices Under Rank Transformation	761
	Ken Hung, Chin W. Yang, Matthew Brigida, and Dwight B. Means	
23	Corporate Failure: Definitions, Methods, and Failure Prediction Models	773
	Jenifer Piesse, Cheng-Few Lee, Hsien-Chang Kuo, and Lin Lin	
24	Main Bank Relationships, Debt Structure, and Innovation in Japan	791
	Hai-Chin Yu and Phuong Dung Tong	
25	Term Structure: Interest Rate Models	819
	Thomas S. Y. Ho and Sang Bin Lee	
26	Review of REIT and MBS	835
	Chiuling Lu and Chou-Yen Wu	

27 Experimental Economics and the Theory of Finance	849
Haim Levy	
28 Merger and Acquisition: Definitions, Motives, and Market Responses	877
Jenifer Piesse, Cheng-Few Lee, Lin Lin, and Hsien-Chang Kuo	
29 Multistage Compound Real Options: Theory and Application	895
William T. Lin, Cheng-Few Lee, and Chang-Wen Duan	
30 Market Efficiency Hypothesis	937
Melody Lo	

Volume 2

31 The Microstructure/Micro-Finance Approach to Exchange Rates	945
Melody Lo	
32 Arbitrage and Market Frictions	951
Shashidhar Murthy	
33 Fundamental Tradeoffs in the Publicly Traded Corporation	963
Joseph P. Ogden	
34 The Mexican Peso Crisis	973
Fai-Nan Perng	
35 Methods for Portfolio Performance Evaluation	983
Lalith P. Samarakoon and Tanweer Hasan	
36 Call Auction Trading	991
Robert A. Schwartz and Reto Francioni	
37 Market Liquidity	1001
Robert A. Schwartz and Lin Peng	
38 Market Makers	1007
Robert A. Schwartz and Lin Peng	
39 Structure of Securities Markets	1011
Robert A. Schwartz and Lin Peng	
40 Accounting Scandals and Implications for Directors: Lessons from Enron	1017
Pearl Tan and Gillian Yeo	
41 Agent-Based Models of Financial Markets	1027
Nicholas S. P. Tay	

42	The Asian Bond Market	.....	1035
	Khairy Tourk and Hui Li		
43	Cross-Border Mergers and Acquisitions	.....	1057
	Geraldo M. Vasconcellos and Richard J. Kish		
44	Jump Diffusion Model	.....	1073
	Shin-Huei Wang		
45	Networks, Nodes, and Priority Rules	.....	1093
	Daniel G. Weaver		
46	The Momentum Trading Strategy	.....	1109
	K. C. John Wei and Linti Zhang		
47	Equilibrium Credit Rationing and Monetary Non-neutrality in a Small Open Economy	.....	1123
	Ying Wu		
48	Policy Coordination Between Wages and Exchange Rates in Singapore	.....	1137
	Ying Wu		
49	The Le Chatelier Principle of the Capital Market Equilibrium	.....	1149
	Chin W. Yang, Ken Hung, Matthew Brigida, and John A. Fox		
50	MBS Valuation and Prepayments	.....	1157
	C. H. Ted Hong and Wen-Ching Wang		
51	The Impacts of IMF Bailouts in International Debt Crises	.....	1177
	Zhaohui Zhang and Khondkar E. Karim		
52	Corporate Governance: Structure and Consequences	.....	1187
	Bikki Jaggi		
53	A Survey Article on International Banking	.....	1223
	James Winder		
54	Hedge Funds: Overview, Strategies, and Trends	.....	1249
	John M. Longo		
55	An Appraisal of Modeling Dimensions for Performance Appraisal of Global Mutual Funds	.....	1273
	G. V. Satya Sekhar		
56	Structural Credit Risk Models: Endogenous Versus Exogenous Default	.....	1293
	Michael B. Imerman		

57 Arbitrage Opportunity Set and the Role of Corporations	.....	1317
James S. Ang and Yingmei Cheng		
58 Equity Premium Puzzle: The Distributional Approach	.....	1345
Nadezhda Safronova		
59 Understanding Ginnie Mae Reverse Mortgage H-REMICs: Its Programs and Cashflow Analysis	.....	1373
C. H. Ted Hong and George H. Lee		
60 An Analysis of Risk Treatment in the Field of Finance	.....	1397
Fernando Gómez-Bezares and Fernando R. Gómez-Bezares		
61 The Trading Performance of Dynamic Hedging Models: Time Varying Covariance and Volatility Transmission Effects	.....	1411
Michael T. Chng and Gerard L. Gannon		
62 Portfolio Insurance Strategies	.....	1437
Lan-chih Ho, John Cadle, and Michael Theobald		
63 Time-Series and Cross-Sectional Tests of Asset Pricing Models	.....	1467
Kyung-Jin Choi, Dongcheol Kim, and Soon-Ho Kim		
64 Unified Model Arbitrage-Free Term Structure of Flow Risks	....	1485
Thomas S. Y. Ho and Sang Bin Lee		
65 A Comparison of Formulas to Compute Implied Standard Deviation	.....	1511
James S. Ang, Gwoduan David Jou, and Tsong-Yue Lai		
66 Securities Transaction Taxes: Literature and Key Issues	.....	1531
Anna Pomeranets		
67 Financial Control and Transfer Pricing	.....	1541
Savita A. Sahay		
68 Alternative Models for Evaluating Convertible Bond: Review and Integration	.....	1563
Cheng-Few Lee, Lie-Jane Kao, and Po-Cheng Wu		
69 A Rationale for Hiring Irrationally Overconfident Managers	....	1581
Oded Palmon and Itzhak Venezia		
70 Current Versus Permanent Earnings for Estimating Alternative Dividend Payment Behavioral Model: Theory, Methods and Applications	.....	1599
Cheng-Few Lee, Hong-Yi Chen, Alice C. Lee, and Yuhsin Tai		

71	Valuation of Interest Tax Shields	1641
	Michael Dothan	
72	Usefulness of Cash Flow Statements	1657
	Savita A. Sahay	
73	Do CEO Gender and Marital Status Affect Firm's R&D and Value? An Empirical Analysis Using Nonlinear Models	1685
	Keshab Shrestha, Cheng-Few Lee, and Abdul Ghafoor	
74	Three Alternative Methods for Estimating Hedge Ratios	1703
	Sheng-Syan Chen, Cheng-Few Lee, Fu-Lai Lin, and Keshab Shrestha	
75	Credit Risk Modeling: A General Framework	1727
	Ren-Raw Chen	
76	Bankruptcy Prediction Studies Across Countries Using Multiple Criteria Linear Programming (MCLP) and Other Data Mining Approaches	1765
	Wikil Kwak and Yong Shi	
77	Application of Difference-in-Differences Strategies in Finance: The Case of Natural Disasters and Bank Responses	1779
	James R. Barth, Kang Bok Lee, Xuan Shen, and Yeo Song Yoon	
78	Financial Panel Data Models, Strict Versus Contemporaneous Exogeneity, and Durbin-Wu-Hausman Specification Tests	1799
	Robert H. Patrick	
79	Accruals and the Asymmetric Timeliness of Earnings: A Decomposition Analysis	1829
	Wenhsin Hsu	
80	Computing Technology for Financial Service	1869
	Fang-Pang Lin	
81	Local Volatility Interest Rate Model	1901
	Thomas S. Y. Ho and Sang Bin Lee	
82	Applications of Logistic Regression and Hazard Method in Accounting and Finance Research	1919
	Feng Gao	
83	Cube Root Utility Theory	1939
	Jack Clark Francis	

Volume 3

- 84 A Global Comparative Study of Impact Investments Research in Academic Institutions** 1963
Rachel Caliphia and Itzhak Venezia
- 85 Financial Crisis, Capital Requirement, and Stress Tests: Evidence from the Extreme Value and Stable Paretian Estimates** 1983
Tony Sio-Chong U and Jacky Yuk-Chow So
- 86 The Economics of and Accounting for Lease Transactions** 2019
Cheng-Few Lee and Ryan McDonough
- 87 Pension Accounting, Inside Debt, and Capital Structure** 2041
Cheng-Few Lee and James Juichia Lin
- 88 The Role of Earnings Management in Equity Valuation** 2061
Guanming He, April Zhichao Li, and Dongxiao Shen
- 89 The Applications of Machine Learning in Accounting and Auditing Research** 2095
Hanxin Hu and Ting Sun
- 90 Internal Capital Budgeting and Allocation in Financial Firms** 2117
Woo-Young Kang
- 91 Job Security and CEO Compensation** 2139
James S. Ang and Wei Chen
- 92 Tail-Risk Protection: Machine Learning Meets Modern Econometrics** 2177
Bruno Spilak and Wolfgang Karl Härdle
- 93 Structural Breaks in Financial Panel Data** 2213
Yiannis Karavias
- 94 More on Equilibrium Credit Rationing and Interest Rates: A Theory with New Evidence** 2229
Ying Wu
- 95 The Effect of Basel III on Banks' Lending** 2251
Hao Chang and Yan Xue
- 96 Mortgage Analysis** 2263
Aron Gottesman

97	A History of Commercially Available Risk Models	2275
	John Blin, John Guerard, and Andrew Mark	
98	Short Selling Activity and Effects on Financial Markets and Corporate Decisions	2313
	Xu Guo and Chunchi Wu	
99	Simultaneous Equation Models for Financial Planning and Forecasting	2341
	Cheng-Few Lee, Alice C. Lee, and Wen-chi Yeh	
100	Alternative Errors-in-Variables Models and Their Applications in Finance Research	2369
	Hong-Yi Chen, Alice C. Lee, and Cheng-Few Lee	
101	Optimal Payout Ratio under Uncertainty and the Flexibility Hypothesis: Theory and Empirical Evidence	2409
	Cheng-Few Lee, Manak C. Gupta, Hong-Yi Chen, and Alice C. Lee	
102	Mergers and Acquisitions: Principles and Practices	2457
	Harvey A. Poniachek	
103	Accrual Accounting and Risk: Abnormal Sales Growth, Accruals Quality, and Returns	2501
	Liu Min Shirley	
104	Applications of Book-Tax Difference in Accounting and Finance Research	2539
	Nan-Ting Kuo and Shang-En Yu	
105	Evaluating Portfolio Risk Management: A New Evidence from DCC Models and Wavelet Approach	2557
	Rabeh Khalfaoui, Aviral Kumar Tiwari, and Xuan Vinh VO	
106	Cash Conversion Cycle and Corporate Performance: Global Evidence	2597
	Chong-Chuo Chang	
107	How Consistent Are the Judges of Portfolio Performance?	2627
	Matthew Brigida, Chin W. Yang, and Ken Hung	
108	Risk Aversion and the Value of Information for Investors	2633
	Richard E. Kihlstrom	
109	A Fuzzy Real Option Valuation Approach To Capital Budgeting Under Uncertainty Environment	2655
	Shin-Yun Wang and Cheng-Few Lee	

Part III Appendices	2679
Appendix A: Derivation of Dividend Discount Model	2681
Appendix B: Derivation of DOL, DFL and DCL	2683
Appendix C: Derivation of Crossover Rate	2685
Appendix D: Capital Budgeting Decisions with Different Lives	2687
Appendix E: Derivation of Minimum-Variance Portfolio	2691
Appendix F: Derivation of an Optimal Weight Portfolio Using the Sharpe Performance Measure	2693
Appendix G: Applications of the Binomial Distribution to Evaluate Call Options	2697
Appendix H: Derivation of Modigliani and Miller (M&M) Proposition I and II with Taxes	2707
Appendix I: Derivation of Capital Market Line (CML)	2711
Appendix J: Derivation of Capital Market Line (SML)	2713
Appendix K: Derivation of Black-Scholes Option Pricing Model	2715
Appendix L: Hillier's Statistical Distribution Method	2719
Appendix M: Capital-Rationing Decision	2727
Appendix N: Noncentral χ^2 and the Option Pricing Model	2731
Appendix O: Impacts of Financing Decisions on Capital Budgeting Decisions	2735
Index	2741