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## **Abstracts from the 2015 Oklahoma Research Day**

### **Held at Northeastern State University**

#### **01. Business Administration**

#### **04. Finance**

##### **01.04.01 Correlation Analysis of Nine Major Stock Indices: An Empirical Study**

**Hongkai,Zhang** *East Central University*

**Jiajun,Lin** *East Central University*

**Josh,Hollinshead** *East Central University*

**Yifei,Ma** *East Central University*

This study empirically examines the magnitude and directions of linear correlation among nine major stock price indices selected from three continental regions throughout the global financial crisis around 2008 and during the ensuing economic recovery. The indices are Dow Jones, NASDAQ Composite, and S&P 500 in the United States; DAX, FISE 100, and CAC 40 in Europe; and Hang Seng Index, Nikkei 225, and SSE Composite in East Asia. Two time periods, August 2007 - February 2009 and February 2009 - May 2014, are considered in our study. We aim at determining how the stock indices in the same and different regions in the world correlate over time. The sample correlation coefficients are computed and then a two-tailed t-test is conducted for each pair of the nine indices. Our findings, as shown by the line charts of the price indices, the matrix of their correlation coefficients and the outcomes of the two-tailed t-test, indicate that the U.S., European, and Asian stock indices considered in the study exhibit significantly positive correlations throughout the financial crisis, while SSE Composite Index has significant negative correlation with six of the other stock indices during the economic recovery. The results of this empirical study shed some light on the dynamic complexity of the global stock markets and offer managerial implications for investment decision in those markets.

#### **01.04.02 The Impact of Sarbanes-Oxley Act on Independence and Compensation of Corporate Board of Directors**

**Gaurango,Banerjee** *LINDENWOOD UNIVERSITY*

**Halil,Kaya** *Northeastern State University*

**OBJECTIVE** We look at possible effects of the Sarbanes-Oxley (SOX) Act (2002) on board independence and director compensation of US companies during the period 2001-2006.

**HYPOTHESIS** We expect U.S. corporations to become more independent after the Sarbanes-Oxley Act passed. **METHODOLOGY** We use Wilcoxon tests to compare the percentage of outside directors before and after the Act. Then, we do similar comparisons for our four compensation variables.

**RESULTS** We find that U.S. corporations had significantly more outside directors after the Sarbanes-Oxley Act passed (i.e. in the 2003-2006 period) when compared to 2001. We observe a short-term, positive impact on equity-based compensation for directors between 2001 (pre-SOX) and 2003-2004 periods (post-SOX). On the other hand, we observe a reversal of equity-based compensation after 2004 to pre-SOX levels, implying that the effects of SOX on incentive compatible board compensation were temporary and short-lived. We conclude that policymakers must increase long-run monitoring of such Acts to ensure adherence to the corporate accountability guidelines and recommendations of the Act over time.

#### **01.04.03 Do Business Conditions Affect High-Leverage and Low-Leverage Trade Firms Equally?**

**Halil,Kaya** *Northeastern State University*

**OBJECTIVE** We examine the impact of business conditions on high-leverage and low-leverage U.S. trade firms' profitability and liquidity measures during the 2000-2005 period. **HYPOTHESIS** We expect high-leverage trade firms to be more sensitive to changes in business conditions. **METHODOLOGY** We use Wilcoxon tests for our comparisons. **RESULTS** High-leverage retailers are more sensitive to changes in business conditions. On the other hand, wholesalers' leverage levels do not alter how their profitability values are affected by business conditions. Therefore, for wholesalers, there is no "leverage" effect on profitability. In terms of liquidity, I find that leverage is an important factor for wholesalers, but not for retailers. While favorable business conditions affect high-leverage wholesalers' liquidity values positively, the impact on low-leverage wholesalers' liquidity values is negative.

#### **01.04.04 Optimal Retirement Asset Allocation for RUSO Employees**

**Chad,Cormell** *Southeastern Oklahoma State University*

**Guillermo,Haugen** *Southeastern Oklahoma State University*

**Han-Sheng,Chen** *Southeastern Oklahoma State University*

**Larry,Prather** *Southeastern Oklahoma State University*

**Ying-Chou,Lin** *Southeastern Oklahoma State University*

RUSO employees are afforded the opportunity to invest for their retirement through the use of a 403b. A 403b is a tax deferred or tax sheltered account that is permitted under current tax law and permits compounding returns over what could be many decades. Because RUSO has decided on Voya as the 403b provider, RUSO employees face two important decisions; (1) how much to invest in the 403b, and (2) how their investment should be allocated. The first decision is a personal financial decision driven by a combination of tax law and unique personal circumstances. Finance theory can provide guidance on the second decision of how assets should be allocated. The purpose of this research is to investigate the historical risk and return of the Voya investments that are offered to RUSO employees and to use Markowitz (1952) optimization, which won him a Nobel Prize in 1991, to form optimal risky portfolios. Next, because RUSO employees will have differing risk attitudes about their acceptable level of risk, we will form utility maximizing portfolios for RUSO employees with differing levels of risk tolerance.

#### **01.04.05 Analysis of house prices in Dallas, Texas**

**Aastha,Aryal** *Cameron University*

**Arif,Qayyum** *Cameron University*

**Omer,Rehman** *Cameron University*

The purpose of this paper is to analyze the prices of houses in Dallas, Texas and observe the relation between house price and its characteristics. In order to carry out our analysis, we considered factors such as number of bed rooms, number of bathrooms, parking spaces, lot size, fire place, pool, and the age of the house. This paper also analyzes the highly influential characteristics in setting house prices.

#### **01.04.06 Determinants of house prices in Oklahoma City**

**Arif,Qayyum** *Cameron University*

**Rahul,Bisht** *Cameron University*

The purpose of this paper is to analyze that how much sales price of houses in Oklahoma City depends on different characteristics of these houses. Based on previous literature we choose the attributes, such as number of bedrooms, bathrooms, garage, fireplace, pool, house size, lot size, and the age of the house. The research also intends to highlight what attribute has the strongest bearing on the sold price of the house.

#### **01.04.07 Can a student manage Bond portfolio beat national indices?**

**Arif,Qayyum** *Cameron University*

**Ehenedon,Toniâ€™Osagie** *Cameron University*

**John,Williams** *Cameron University*

**Roger,Bannon** *Cameron University*

**Thierno,Diallo** *Cameron University*

The purpose of this research is to compare the risk and return of student managed Cameron University BancFirst bond Portfolio with national bonds indices. We examine three years of investment data from Cameron's Portfolio and compare it to data over the same period of national bond indices. Our results indicate the importance of diversification and its influence on risk and return of a portfolio.

#### **01.04.08 Analysis of the Effects of the 2008 Financial Crisis on Banks: Regional and national**

**Ehenedon,Toniâ€™Osagie** *Cameron University*

**Roger,Bannon** *Cameron University*

**Thierno,Diallo** *Cameron University*

The purpose of this research is to look at national banks versus regional banks (Oklahoma and Texas) during the 2008 financial crisis. We will attempt to determine whether differences in size and level of risk between large and small institutions have any financial effect during the 2008 financial crisis. We examine six institutional annual financial reports over the course of several years. Our results show level of risk and profitability of both types of banks under stressful macroeconomic conditions.

#### **01.04.09 Surviving the Crisis: American vs. Foreign Automakers**

**Aastha,Aryal** *Cameron University*

**Ann,Morris** *Cameron University*

**Arif,Qayyum** *Cameron University*

**Jack,Hughes** *Cameron University*

**Rahul,Bisht** *Cameron University*

The objective is to analyze if the foreign car manufacturers fared better than domestic car manufacturers during the 2008 recession within the United States auto market. We examine the financial data and business policies of the top three domestic and top two foreign auto manufacturers to determine how each reacted to the financial crisis during the period leading up to and immediately following the 2008 financial crisis. Our findings indicate whether it is foreign or domestic auto manufactures that is less affected by the financial crisis.

#### **01.04.10 Designing a Course on Capital Budgeting: Opportunities, Challenges and Pitfalls**

**Sivarama,Krishnan** *University of Central Oklahoma*

Capital budgeting decisions are among the most important part of a finance manager's responsibilities. This paper describes the author's attempt at designing and teaching a new course on capital budgeting. The project afforded the author a degree of freedom not to be found in the more common courses that are offered every semester and taught by many of his colleagues. The course presented very interesting opportunities and challenges because of the needed expansion of coverage of topics that the students have already been exposed to and inclusion of new topics that are relevant. An early decision was made not to use a specific textbook, primarily because the available textbooks seemed old and did not quite fit the author's conceptual framework for the course. The author planned detailed notes as handouts that would be distributed through the course web page. The finance textbook coverage of capital budgeting tended to be heavy on concepts and light on the details needed for successful investment decisions. The author attempted to correct this perceived imbalance. The author's experience of working as a project engineer in a large industrial firm came in handy in this regard. The major pitfalls in a course like this include a potential overreach and attempting to do more than what can be done well within the confines of a one-semester course. One should be also be careful not to overload the students and exceed their capabilities.

## **01.04.11 Cameron University Stock Portfolio: An Analysis**

**Aastha,Aryal** *Cameron University*

**Ann,Morris** *Cameron University*

**Arif,Qayyum** *Cameron University*

**Jack,Hughes** *Cameron University*

**Rahul,Bisht** *Cameron University*

The purpose of this research is to analyze the risk and return of student managed Cameron University Stock Portfolio. We evaluate three years of investment data for Cameron's Portfolio and compare it to S&P 500 stock index. Our results present the importance of diversification and its influence on risk and return of a portfolio.