EDITORIAL

As we close out the 9th-year edition of the Journal of Law and Financial Management, we continue our focus on firm decision-making and the implications for shareholders.

In Issue 1 of our 9th year, we examined internal factors and how they impacted shareholders. The dimensions that were explored included: choices around capital structure; choices around governance models; and ethical choices around framing a discourse on firm performance, all of which were found to have direct implications on shareholder performance.

Now in Issue 2, we continue this debate by examining the external factors that have a bearing on shareholders and the economic performance of their investments. This examination is framed in the context of the external regulatory environment in which firms operate.

In our first article, Roger Hussey and Audra Ong discuss proposed changes to International Accounting Standards regarding the classification of leases. The move to a substance-over-form model for the classification of leases has been a long-awaited initiative much welcomed by some commentators who have been critical of the quality of disclosure under the existing standard. However, as the authors note, many practitioners on both sides of the globe believe the current classification is still warranted. Irrespective of the outcome of the proposed change, the authors remind us that relevant information is paramount to aid users in informed decision-making and any change to the regulation of financial disclosure will likely have an impact on the decision usefulness of financial reports for shareholders.

In our second article, Orapin Duangploy, Justo Manrique and Rahul Verma examine the implications of restricted stock on dividend propensity and size. Restricted stock is a tradeable equity instrument that is not fully transferrable until certain conditions have been met. The use of restricted stocks has been increasing, partly due to current business regulations, and the authors identify that firms using restricted stock as an element of their capital structure are more likely to adopt a particular pattern of dividend behavior, which in turn has a direct implication on shareholder income.

In our final article, Cary Di Lernia examines the organisational response of firms to the regulation of continuous disclosure for listed entities. His article describes the circumstances around a selection of corporate announcements where price queries were involved and evaluates the extent of regulatory enforcement. He reminds us that the provision of timely material information is crucial to the achievement of market integrity which can likely be met with a strong regulatory framework and willingness for transparency by its listed participants. JLFM

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Sydney, December 2010