EDITORIAL

Welcome to this edition of the Journal of Law and Financial Management (JLFM). Now in its 13th year, JLFM continues to provide a forum for the publication of research and analysis focused on the nexus of the general disciplinary areas of law (primarily business and commercial law) and financial management, encompassing all aspects of accounting and financial reporting, finance and financial economics.

In our first article, Charles Mulford and Husbert Nicholson from Georgia Institute of Technology look at the effect of six general categories of non-cash activity on the statement of cashflows. They found a reduction in free cash flow in 62 out of 120 instances for a median amount that comprised 2.8% of reported free cash flow by revising the statement of cash flows to include the implied cash effects of two non-cash transactions. This article proved the importance of non-cash transactions in calculations of free cash flow, and shown the need to revise the existing accounting standards regarding the exclusion of all non-cash activities from the statement of cashflows.

Next, Grey Richey from California State University San Bernardino examine the return characteristics of a portfolio of US 'vice stocks', firms that manufacture and sell socially irresponsible products such as alcohol, tobacco, gaming services and national defense. The result shows that visa fund contains a positive Jensen's alpha, indicating an abnormal return for the given level of systematic risk, while further research is required to examine the impact that the Fama-French and Carhart Variables have on the performance of vice stocks. The author provides some interesting insights into vice stocks, that they deserve to be part of an investor's portfolio consideration.

Finally, Colin Cannonier, Gregory Faulk, and Joseph Smolira from Belmont University question the integrity of input assumptions under the Capital Asset Pricing Model (CAPM). By examining the maturity and source of the risk-free rate, the authors provide some practical insights into equity estimation, which will be of benefit to practitioners and analysts working in this area. The result suggests that from a practitioner's standpoint, the data source decision is more important than the Treasury maturity one. Additionally, this study includes some straightforward suggestions for project selection and project evaluation by comparing Internal Rate of Return (IRR) and Weighted Average Cost of Capital (WACC).

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