dominant private data set. Alternatively, the rational expectations literature suggests that agents combine private information with the information aggregated by security prices when making decisions. In this article, we report the results of an empirical investigation designed to determine if managers' actions subsequent to an acquisition announcement are consistent with their learning from stock price changes. The data generally do not support such a hypothesis.

(Author)

Keywords: Security Price, Information, Acquisition Announcement.

051045 (E13)

Why investors value multinationality.

Morck R., Yeung B., University of Alberta and University of Michigan, USA, *Journal of Business, Vol. 64, nr. 2, 1991, pp. 165-187.*

The authors examine the value of multinationality to investors as reflected in firms' q ratios. The positive impact of research and development and advertising spending on a firm's q is enhanced by multinationality, but multinationality itself has no significant impact. This supports the internationalization theory's prediction that intangible assets are necessary to justify direct foreign investment and, thus, a recent strand of trade literature that assumes multinational firms have intangible assets with public good properties. Our results do not support the hypothesis that investors value multinational firms as a means of diversifying their portfolios internationally.

(Author)

Keywords: q Ratios, Intangible Assets.

051046 (E13)

Shelf registration and the market for seasoned equity offerings.

Denis D.J., Virginia Polytechnic Institute and State University, *Journal of Business, Vol. 64, nr. 2, 1991, pp. 189-212.*

This article documents that few industrial equity offerings are registered under the shelf registration procedure (Securities Exchange Commission Rule 415) despite recent empirical evidence of lower costs for shelf-registered offerings. Many firms use the shelf procedure for offerings of senior securities while using the nonshelf procedure for equity offerings. An explanation for these puzzling findings is given, based on the lack of underwriter certification provided by the shelf procedure. Empirical results are consistent with the explanation.

(Author)

Keywords: Shelf Registration, Securities.

051047 (E13)

The agency costs of free cash flow: acquisition activity and equity issues.

Mann S.V., Sicherman N.W., University of South Carolina, *Journal of Business, Vol. 64, nr. 2, 1991, pp. 213-227.*

Jensen argues that there are agency costs associated with free cash flow. This study extends that arguments and posits that shareholders condition their valuation decisions on firms' reputations regarding free cash flow abuse.

We test this notion by examining share price responses to equity offers, which generally exacerbate the cash flow problem, for firms differentiated by their recent acquisitive behavior. The results suggest that shareholders react more favorably to equity issue announcements if firms have acquired only assets related to their core business than to other equity issue announcements.

(Author)

Keywords: Agency Costs, Free Cash Flow.

051048 (E13)

The tax-timing option and the discounts on closed-end investment companies.

Brickley J., Manaster S., Schallheim J., University of Utah, *Journal of Business, Vol. 64, nr. 3, 1991, pp. 287-312.*

For all options, including tax-timing options, a portfolio of options is more valuable than an option on the corresponding portfolio. This observation is consistent with the puzzling empirical regularity that closed-end funds sell at discounts from their net asset value. Consistent with this theory, the results show that, cross-sectionally, the discounts are positively correlated with the average variance of the constituent assets in the fund and that in time series the value of the discount varies countercyclically. Estimation of a specific model was not sufficiently precise to provide additional insights into the pricing of tax-timing options.

(Authors)

Keywords: Tax-timing options, Closed-end, Time Series.