2012 promises to be another excellent year for JASSA. The first issue of the journal for this year addresses a number of highly topical and significant questions for financial services practitioners, focusing on various factors related to financial decision making.

First, the baseline findings of the paper by Brett Doran, Michael E. Drew SF Fin and Adam N. Walk F Fin raise a number of critical questions about the scope of the retirement risk zone. The findings suggest that contemporary beliefs of where the typical investor’s retirement risk zone lies (10 years pre- and post-retirement), may need to be adjusted to incorporate a greater time span within the accumulation phase (that is, perhaps 15-20 years pre-retirement and around five years post-retirement). The results also suggest that the order in which returns occur plays a crucial role in achieving adequacy in retirement funding.

Next, Jędrzej Białkowski, Serge Darolles and Gaëlle Le Fol propose a new dynamic approach to modelling intra-day trading volume based on factor models. This approach assumes that intra-day volume can be decomposed into two parts each predicted using separate time-series models. By enabling more accurate prediction of intra-day volume, this methodology allows for a significant reduction in the cost of executing Volume Weighted Average Price orders. This, in turn, suggests that VWAP trade orders can be offered at a lower commission fee to clients.

Robyn Cameron, Majella Percy and Peta Stevenson-Clarke examine the issue of whether large companies’ frequent focus on non-GAAP financial measures (‘pro forma’ earnings), rather than statutory net profit or GAAP measures, raises the potential for misinformed financial decision-making. Their study of the disclosures and the reconciliation to GAAP earnings by the largest 50 Australian listed non-mining companies finds considerable variations in reporting practices. The findings of this paper also reinforce the authors’ belief that management may be seeking to engage in a form of ‘impression management’ by emphasising the earnings measure that presents the company’s financial performance in the best light.

Despite ongoing public debate and widespread media reports about the problem of housing affordability in Australia, research by Rob Brown SF Fin, Greg Schwann, Ian O’Connor SA Fin and Callum Scott indicates that user housing costs appear relatively modest except for the late 1980s and early 1990s, and the early 2000s. Their paper presents estimates of the user cost of housing, a measure of housing affordability that takes into account the full range of housing costs and benefits for owner-occupiers and investors and the typical multi-year holding period for residential property. This research also indicates that the tax system does not unambiguously favour either investors or owner-occupiers.
The paper by John Fraser examines the fundamental changes that have occurred recently in the economic backdrop for the financial services industry, the sources of assets and the types of investments clients are seeking. He expects the current era of low real returns to endure with investors struggling to earn decent returns on traditional markets, Defined Benefit (DB) pension funds struggling to match their liabilities and the new players such as the sovereign wealth funds and private equity funds further expanding their influence in global markets. He also suggests that the industry needs to address the strategic issues raised by these trends if it wants to continue prospering in the post-crisis economic and financial environment.

I would like to take this opportunity to thank our outgoing Managing Editor, Rosemary McLauchlan F Fin, for her excellent work on the journal over many years, and also to welcome our new Managing Editor, Kevin Davis SF Fin, Professor of Finance at the University of Melbourne and Research Director, Australian Centre for Financial Studies. Kevin is well known and highly respected within the financial services industry and academia.

Please note that the guidelines for submission are available at www.finsia.com and any comments on these or any previous articles in JASSA are also welcome at m.fahrer@finsia.com.

JASSA articles
Contributions:
If you are interested in contributing to JASSA, please contact Caroline Falshaw on T > 61 2 9275 7900 or email JASSAcontent@finsia.com to discuss your ideas. Download the current Author Guidelines at www.finsia.com/JASSA

Archived articles: ONLINE
Articles published in JASSA are available to members online.
Search the online archives back to 1998. Full text of articles is available back to mid-1999.
Find the JASSA online index at www.finsia.com/JASSA

Archived articles: PRINT
Authors may order reprints of their published articles. For details of costs and quantities please email Caroline Falshaw at JASSAcontent@finsia.com