

# BUSINESS MATTERS

Spring 2017

The State University of New York at Fredonia

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Department of Business Administration

## Notes from the Chair

- After 33 years of service at SUNY Fredonia, Dr. Charles S.V. Telly decided in mid-March to retire from his position as Professor of Management. Many thanks to part-time professors, Jason Januszkiewicz and Debora Becerra for covering Dr. Telly's classes during the rest of the semester.



- Unfortunately, the search for a new, additional, full-time accounting professor was not successful. Hopefully, the search will resume next fall. However, we are delighted that Dr. Linda Hall will return from her sabbatical leave next fall, teaching Principles of Financial Accounting and Taxation I.

- For your information, Drs. Julie Fitzpatrick and Taihyeup Yi will be on sabbatical leave during the Fall 2017 and Spring 2018 semesters, respectively.

- A heads up that the Registrar's office will soon check your course schedule for Fall 2017 in order to identify those accounting and business courses whose prerequisites have not been satisfied, in which case, such courses will be dropped from your schedule. Click here for a list of prerequisites for all accounting and business courses: [http://home.fredonia.edu/sites/default/files/section/business/businessadministration/\\_files/Course%20Prerequisites%202016.pdf](http://home.fredonia.edu/sites/default/files/section/business/businessadministration/_files/Course%20Prerequisites%202016.pdf). You should adjust your fall schedule as soon as you realize that a certain prerequisite will not be met by the end of the spring semester.

-Dr. Moj Seyedian

## Alumni Spotlight

Thomas Berical, an alum of the Fredonia Department of Business Administration, has been working his way up the ladder in the Western New York area since he graduated. He is currently employed at Freed Maxick Sachs Murphy CPAs, P.C. in Buffalo, where he has been working since 1990. The firm is now known as Freed Maxick CPAs, P.C. He started working there to gain experience in other industries as well as still be able to do both "attest" and tax work. While with the firm, he received his CPA (Certified Public Accountant) license in 1993.



Thomas Berical, CPA  
Director  
Freed Maxick CPAs, P.C.

Over the 26 years that he has been an employee at Freed Maxick, he has advanced within the firm from a senior accountant, to a partner of the firm. He was elected director in May 1998. Currently, Berical is the assurance practice leader. In this position, he oversees the attest practice of the firm where they provide a variety of attest engagements such as audits, reviews, compilation, etc. Also, he is involved in the firm's public company practice where he has acquired knowledge in the Securities and Exchange Commission (SEC) regulatory and account matters.

While at Freed Maxick, Berical has worked in the manufacturing, construction, and general services industries. He has also gained extensive experience in the merger and acquisition area, as well as performing

numerous due diligence projects.

Before working at Freed Maxick, Berical started his career at Klynveld Peat Marwick Goerdeler (KPMG) in 1987. He worked in the audit and tax departments. At KPMG he worked in the financial institution and manufacturing area and eventually moved into corporate tax.

Berical has also been involved with the Turn-around Management Association Upstate New York Chapter as a board member and treasurer for the past 15 years. In addition, he has been on the board of the Food Bank of WNY, which supports 325+ member agencies in four counties of WNY. Most recently, he was the chairman of the board from July 2014 to June 2016.

While at Fredonia, Berical was actively involved in both the Accounting Society and Investment Club. Graduating from Fredonia in 1987 with a B.S. in Accounting and a concentration in Finance, Berical has this to say about his time here, "I have to say the education and guidance I received from SUNY Fredonia and the faculty have been an important part of my success since graduating."

Currently, he and his wife, Tracey, a 1987 Fredonia graduate in Elementary Education, live in Wheatfield, NY with their two children, Samantha and Matthew.

- Kayla Newland

## Enactus Won Regionals in Washington, DC



## Meet Professor Richard Robinson

### 1. What courses do you teach?

I instruct BUAD 300 (Statistical Analysis), BUAD 378 (Business Ethics), and BUAD 474 (Financial Intermediaries Management).



Dr. Richard Robinson

### 2. If you could teach a new course, what would it be?

I'd instruct an advanced course in Business Ethics, 400-level, a special projects-type course; or perhaps I'd instruct a similar special-projects course in business statistical analysis.

### 3. Tell me a little about your teaching style.

I instruct at the 300-400 level. I try to have very organized courses with lots of well-organized handouts that I want the students to rely on. I want students to use those handouts, along with the text, to organize their understanding, their problem solving, and their essays. I want students to try to use this material and only ask me office-hours-type of questions when they come to an impasse in understanding. In that way, their understanding and retention will be much greater.

### 4. What suggestions do you have for students to be successful in your courses?

Do not approach these courses mechanically. They are not designed as just hurdles for students to jump over, but as building blocks in our business curriculum, blocks that other courses are built upon. Also, always communicate with serious fellow students. They are a great asset.

### 5. What are your pet peeves in the classroom?

Disengaged and non-serious students are not fun.

### 6. What kind of research are you working on?

For the past few years, I have published in the *Journal of Business Ethics* on applications of classical and current philosophy to ethical motivation in business. I am continuing to publish in this area. I'm also publishing in the *Quarterly Journal of Economics and Finance* on dividend analysis.

**7. How long have you worked at Fredonia?**

This is my 12th year.

**8. Where were you before joining Fredonia?**

I was previously at Eastern Kentucky University (Richmond, Kentucky) for 20 years. ECU is a bit more than 3 times the size of Fredonia State.

**9. Where did you do your undergraduate and graduate studies?**

I completed my BS at Portland State University, and my PhD at University of Oregon. I completed a year of post-doctoral study at University of Georgia.

**10. Why did you decide to come to Fredonia?**

A colleague I trusted recommended it as a good location to live. He was right. I also wanted and needed new challenges. I got them, and they have kept me thinking.

**11. Who has been your biggest influence in life?**

Members of my dissertation committee were very special, especially Gerald Bierwag, a grand old-fellow in financial economics. I was just lucky. I was helped by many fine people along the way.

**12. What advice do you have for investing in the stock market?**

Manage your own portfolio. At least you'll have a little fun. The professional money managers probably won't help much, but they do charge a commission.

**13. What advice do you have for graduating Finance seniors?**

Be patient, be aware and receptive to opportunities, and look for good mentors. Also, start thinking about eventual graduate school possibilities.

**14. What do you like about the Business Department?**

I love the young faculty here. I like talking to them, watching them enjoy their accomplishments, and envisioning a great future for this Department. I also like talking to the other young SOB faculty. The same solid future applies to our other departments within the SOB.

**15. Is there anything else you would like to share with our readers?**

The University is struggling right now with enrollment. I know, however, that Business can and will grow over the next several years, not just in numbers, but also in quality. In fact, the latter is necessary for the former type of growth. This improvement will happen after our current struggle. It takes a bit of old-timer experience to envision this, but it will happen.

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## Stock Splits and Cash Flows: A New Test of the Signaling Hypothesis

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A stock split occurs when a company issues more shares of stock to its current shareholders and decreases the price of each share.

For example, in 2014 Apple split its stock 7 for 1 when the stock price was \$645 per share. After the split, Apple's stock price was 1/7 of \$645, or about \$92 per share. As a result, a shareholder who previously owned 100 shares at a price of \$645 would now own 700 shares at a price of about \$92 each. So, the stock split does not actually change the shareholder's wealth since he/she now owns more shares but each share is worth less.



Dr. Julie Fitzpatrick

Although stock splits should, in theory, have no effect on shareholder wealth, prior research finds that the stock market reacts positively to announcements of stock splits (Grinblatt et al. 1984, Lamoureux and Poon 1987, Desai and Jain 1997, Byun and Rozeff 2003) Why would the market react positively to an event that would seem to have no effect on shareholders? There are two main hypotheses that have been examined by prior research.



Dr. Taihyeup Yi

According to the trading range hypothesis, a firm splits its stock to bring its share price back down to an optimal trading range. First proposed by Copeland in 1979, this theory argues that stock splits make it easier for small investors to buy shares of stock and

thus may increase liquidity.

Another explanation for stock splits is the signaling theory. According to this theory, a firm's managers are assumed to have better information than investors about the firm's future prospects, and a firm splits its shares to reveal the manager's favorable information about the firm's future prospects. In other words, firms that undertake stock splits may have better future performance.

Our research focuses on the signaling hypothesis. To test the hypothesis, we collect data over the period 1963-2014. Our sample includes 11,157 split and 185,424 non-split observations. We use this sample to investigate whether a firm's choice of split factor (e.g., 7:1) conveys private information about the firm's future performance. Unlike prior studies, however, we focus on cash flows (instead of accounting measures, like earnings) as our measure of performance. Specifically, we examine Operating Cash Flow (the amount of cash a firm generates from its operations) and Free Cash Flow (the amount of cash available to distribute to investors after investment in operations). Following prior research (McNichols and Dravid (1990)), we develop a signaling model to examine whether a firm's split factor contains private information regarding the firm's future performance.

First, our results indicate that both Operating Cash Flow (OCF) and Free Cash Flow (FCF) are significant determinants of a firm's split factor even after controlling for the firm's stock price, market value, and prior stock returns, although there are differences between firms that pay dividends and firms that do not pay dividends. In addition, regression results show that split firms have significantly higher Return on Equity, OCF, FCF, and stock returns than non-split firms. In other words, firms that split their stock generally have better (pre-split) performance than non-split firms. This result may be expected since stock splits usually following a run-up in stock price.

Next, holding a firm's pre-split stock price, firm size, and runup (i.e., percentage change in price from the prior year) constant, are subsequent stock price changes significantly related to the signal of manager's private information? We find that the change in a firm's annual return from the prior year (CRET) is

significantly positively related to its split factor for all split firms and for firms that pay dividends. Overall, this result suggests that investors pay more, expecting an increase in OCF and FCF that is revealed through a manager's choice of a split factor, a result that is consistent with prior research (McNichols and Dravid (1990)).

Finally, we examine whether the private information conveyed by the split factor is associated with future profitability. We find that the coefficient for the regression residual, our proxy for manager's private information, is positively related to future profitability measures, i.e., Net Income, OCF, and FCF, at the current and next period for all split firms and firms that pay dividends, and at the current period for firms that do not pay dividends, over the period 1963-2014. Thus, our results indicate that the split factor conveys information about unexpected profitability for dividend and non-dividend payers at least in the near future regardless of the profitability measure used.

Overall, our results provide some support for the signaling hypothesis, especially for firms that pay dividends. Simply put, dividend-paying firms that undertake stock splits may have higher stock returns and higher cash flows over the following year.

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-Drs. Julie Fitzpatrick and Taihyeup Yi

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## Accounting Society Stages Annual Accounting Jeopardy Tournament

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Winners Molly Kassirer (left) and Charlotte Passero.

The two-person team of Molly Kassirer and Charlotte Passero won the final Jeopardy grand prize of \$100 at the Accounting Society's annual Accounting Jeopardy Tournament, held Sunday, April 2, in McEwen Hall. Four teams, each assigned a letter – from A to D – competed for prizes.

Each round featured the following categories: accounting terminology, financial statements, acronyms, debits and credits and general information.

Team A was comprised of Max Burgio and Joseph Guarino; Team B, Becca Neeland and Elizabeth Golubski; and Team D, Ms. Kassirer and Ms. Passero. Scott Wilson was the sole member of Team C. In the first round, Team A came out victorious over Team B. Team D toppled Team C in their round.

That set the stage for the battle between Teams A and D in double jeopardy that would help determine how much money each team would be able to bet in final jeopardy. At the end of the round, Team A had pocketed a fictitious \$600, Team D a hefty \$7,600.

The final Jeopardy answer was: "A person that owes money to another party and a person that has lent money or extended credit to another party." The correct question was, "What is a debtor and creditor?"

Team A bet all \$600 but offered an incorrect

question, while Team D bet \$200 and came out with the correct question. Team D was victorious with a total of \$7,800, while their challengers ended with a blank tally. All participants received a special gift for participating.

-Kayla Newland

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## Even Named Student of the Month

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David Even

David Even was chosen as the March 2017 Student of the Month in a program conducted by the Office of Residence Life.

He was nominated by Dr. Sue McNamara of the School of Business who has taught Mr. Even in two different classes and advises Enactus, which Even serves as Chief Operating Officer. He has been heavily involved with Enactus and some of its biggest events including the D'Vine Experience, working the children's hands-on room at the Maker's Faire during the fall semester, and developing an online order system for the Fredonia Farmer's Market. Even is also a tutor in the Learning Center.

Dr. McNamara noted that Even goes above and beyond to help other students and enjoys being a part of and giving back to his community.

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**Business Matters is a student-run online publication of the Department of Business Administration Chair's Student Advisory Council, established in Spring 2007. For story ideas and comments, contact the editor:**

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