

十一、研究計畫中英文摘要：請就本計畫要點作一概述，並依本計畫性質自訂關鍵詞。
(一) 計畫英文摘要。(五百字以內)

Topic: Managerial overoptimism, asset purchase, and shareholder wealth

1. Motives and objectives

Asset purchase is an important investment decision of firms. The impact of the activity on shareholder wealth can be explained by both “the fit hypothesis” from an efficiency viewpoint (Maksimovic and Phillips, 2001; Warusawitharana, 2008) and “the free cash flow hypothesis” from the agency problem viewpoint (Freund, Prezas, and Vasudevan, 2003); thus, the empirical results are mixed, and there are likely other factors not considered. Additionally, there is not any study about firm asset purchases in Taiwan. Thus, it is worthy of researching. Based on behavioral finance, past literature has documented that firm managers are typically overoptimistic or overconfident. This psychological bias will cause improper investment decisions (Heaton, 2002; Malmendier and Tate, 2005, 2008; Lin, Hu, and Chen, 2005); but, there is literature arguing that this bias can enhance firm values (Gervais, Heaton, and Odean, 2003). These concepts, therefore, encourage this research to examine whether managerial overoptimism offers an additional explanatory power to the relation between asset purchase and shareholder wealth. The purpose of this research is to examine whether managerial overoptimism in Taiwan’s stock-listed firms cause firms to perform asset purchases unfavorable for firm values.

2. Methodology

This study uses three methods to estimate stock’s announcement-period abnormal returns (AR) for asset purchases: the traditional approach, Jensen’s alpha, and dummy variable regression, where the dummy variable regression is employed firstly by this study to increase statistic test power, using the panel data to allow cross-sectional contemporaneous correlations and heteroskedasticity among event returns. In turn, this study examines the effect of managerial overoptimism on the cross-sectional relation between CAR and both growth opportunities and free cash flows. Finally, the effect of managerial overoptimism on the cross-sectional relation between post-purchase of long-run operating performance and both growth opportunities and free cash flows is investigated.

3. Expected contributions

This study is the first one in Taiwan that examines the relation between firm asset purchase and shareholder wealth. Moreover, in this issue considering managerial psychological bias can fill a gap in empirical evidence of behavioral finance and offer advanced knowledge about the impact of managerial psychological bias on investment decision. This study expects that managers are typically overoptimistic and the bias will cause asset purchase behaviors to harm shareholder wealth. The study’s results should be useful for corporation managers, investors, securities analysts, and regulatory agencies.

Keywords: behavior finance, overoptimism, asset purchase, event study method, fit hypothesis, free cash flow hypothesis