REVENUES FROM RELATED PARTIES: A RISK FACTOR IN THE ITALIAN LISTED COMPANY'S FINANCIAL STATEMENTS

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Abstract

As suggested in literature, related party transactions (RPTs) may be instruments to carry out abuse concerning conflicts of interest between ownership and control or between majority and minority shareholders. These transactions are subject to moral hazards, and for this reason are characterized by a greater inherent risk than other transactions. Regulators have recently strengthened existing rules, introducing new bans and requirements, aimed at guaranteeing the substantial and economic fairness of these transactions. This paper produces evidence which justifies the potential risk of these operations. In particular, focusing only on the revenues made with RP, we investigated the relation between the business trends and the intensity of RP revenues in the income statements. This study provides a starting point for future research, which could extend our analysis (which deals only with economic effects) to include financial effects and consider other elements that are influenced by the intensity of RP revenues.

Keywords: Independent Directors, Banks, Identity, Diversity, Disclosure

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1. Introduction

Recent shortcomings in corporate affairs, related to the bursting of the New Economy Bubble and the Global Financial Crisis have underlined how related party transactions (RPTs) have, in many cases, played a prime role in order to produce abuses. This attitude has forced regulators to strengthen rules, introducing new bans and requirements aimed at guaranteeing the substantial and economic fairness of related parties transactions (RPTs). These reforms have mainly focused on two areas, the first being the approval processes, and the second being increasing the level of transparency. From a theoretical perspective, RPTs are studied according to two different perspectives: conflict of interests or the efficient transaction hypothesis.

The first theory supports the idea that these transactions represent a conflict of interest and that they conflict with company and investor protections (Emshwiller 2003). The conflict of interest theory claims that RPTs may in general be the instrument of abuse relating to two main opposing groups: ownership and control (executive directors and management), or between majority and minority shareholders.

On the other hand, the efficient transaction hypothesis assumes that RPTs are sound business exchanges, efficiently fulfilling the underlying economic needs of the corporation (Pizzo 2011), because the reduction of information asymmetry reduces transactions costs as well as risks.

Considering the potential risk that these transactions produce, our study aims to analyze relations between revenues made with RPTs (Related Revenues) and the companies' economic trends.

Excluding banks, which are subject to specific rules, the 100 most capitalized Italian companies that were listed in 2011 were examined. The focus was placed on Italy because Italian listed companies are strongly interrelated as in most European countries. These relations involve intra-group entities as well as extra-group entities. In particular, the Italian listed corporate sector features concentrated control (Bianchi & Bianco 2006) through opaque structures, such as pyramids and the dominance of a small number of interlinked but competitive entrepreneurs (Assonime 2011). Italian companies are generally characterized by the presence of a controlling owner (Bianchi 2001). This shows the relevance of this topic in the Italian context because minority shareholders are exposed to a high risk of exploitation (Nenova 2003, Dyck and Zingales 2004). And, as Holderness (2009) states, minority control is an issue that is widespread and constant the world over, in different forms and modes. Data was collected partially from a database and partially from financial statements. In compliance with Consob Resolution n. 15519/2006 companies are obliged to specify the amounts of revenues and costs produced with RPTs in the income statements, as well as related receivables and related liabilities in the financial statements. This information was checked with information presented in the notes on financial statements, as required by IAS 24, which disclose details regarding the related parties.

In literature, some studies underline a positive relation between RPTs and corporate performance, through increasing sales or reducing transaction costs (Khanna and Palepu 1997), whereas other studies support the evidence that there is a negative association between RPTs and performance, with Tobin's q and ROA (Munir & Gul 2011), or ROE (Cheung et al. 2009). This research, through an OLS model, aims at contributing to literature on RPTs finding evidence which is able to justify an increasingly expensive and more cogent regulation. Results show that the intensity of related party revenues is superior when the company has been subject to a reduction of profitability as well as to a reduction in turnover. On the contrary, there is no evidence of inverse relations between related party revenues and the financial position of the company. This provides input for future research to implement our analysis taking the financial dimension into account.

Literature review of RPTs

The sequence of scandals (Enron, Arthur Andersen, WorldCom, Adelphia, Tyco International and Parmalat) that shook up financial markets at the beginning of the new millennium has fueled the debate on Corporate Governance (CG). To understand its relevance, it is important to clearly establish the purpose of a corporation. As Stout (2013) and many other authors (Clark 2013, Stevelman 2013 Weinstein 2013) argue, the corporate form can meet the needs of many different groups of entities. One of the most widespread theories is the maximization of shareholder value based on the difficult issue of resolving conflicts between the ownership and other stakeholders. In this sense CG rules aim to put shareholder interests before those of Directors (Agency theory) and stakeholders. Hence RPTs can play a positive role in helping companies to reach their shareholder targets. This excludes their total ban (Goshen 2003). However, at the same time, they can be used to generate abuses against other different types of entity involved in corporate life. RPTs can reduce asymmetric information problems between outsider stakeholders (including investors) and corporate management (Gordon et al. 2004), partly because of the conflict of interest that can arise among shareholders.

For this reason, CG is expected to reduce the opportunistic behavior of management, to improve the quality of corporate reporting quality, and to increase firm performance (Chen et al. 2009, Bhagat and Bolton 2008, Denis and McConnell 2003). At the same time, it constrains (diminishes) the opportunistic uses of discretionary accruals in a company's financial statements (Chung et al. 2002 and Park and Shin 2004), inter-group borrowings (Berkman et al. 2009), and corporate fraud (Chen et al. 2006).

In the Shareholder Value Myth, Stout (2013) shows how the traditional managerial focus on the shareholder's interest can be harmful to the corporation. He suggests a more long-term perspective that does not reward a small subset of shareholders, the most shortsighted, opportunistic, undiversified, and indifferent to ethics and the welfare of others. Furthermore, as Biondi suggests, the accounting system can be deemed the heart of the business corporation and can replace or complement the market price. A method based on accounting reporting is better able to represent and control the relationship between shareholders and the business corporation (Biondi 2012).

Due to this, CG rules must regulate the assessment process and approval of these RPTs and must improve the efficiency and quality of financial reporting (Razaee 2004). This would limit the improper use of RPTs and foster the disclosure of the information required to assess these transactions (Fooladi et al. 2011).

As with CG, RPTs are also an issue that is strongly influenced by the type of culture to which they are applied. Hoftede (1980) points to the large cultural differences between countries as the reason why the approaches adopted for specific subjects can be so varied. As a consequence there are many different types of CG models and rules. Globally, three main forms of capitalism are identifiable: Anglo-Saxon, Teutonic and Latin. The main differences are generally produced by the differences in culture but there are other elements that influence CG variables. Despite the globalization process which is fostering unification of the models in many counties, significant differences remain regarding the ownership structure and corporate control. In particular, many studies focus on the relationship between ownership structure (Zengquan et al. 2004, Kun 2005, Jian & Tak 2010, Munir 2010), the role played by the stock market (Gordon et al. 2004, Lo et al. 2010, Yeh et al. 2012) and the quality and relevance of RPTs in corporate life. Cernat (2004) argues that CG constitutes not only a crucial difference between varieties of capitalism but is also a major factor in determining their economic performance. Chen (2014) found that the financial crisis has triggered a need for companies to adopt a new governance structure in order to better cope with the challenges of the environment. However, as yet, the literature on RPTs has not paid sufficient attention to the relationship between CG and RPT disclosure, although the knowledge of these transactions can affect the way in which analysts of Financial Statements assess the performance, financial position, and risk and opportunities of an entity (Corlaciu and Tudor 2011).

Two main definitions are used for RPTs (Chen-Wen & Chinshun 2007)in business literature.

The first is that RPTs are generically defined as transactions between a company and related entities (e.g., subsidiaries, affiliates, principal owners, officers, and directors) (FASB 1982). Young (2005) suggests a second definition of RPTs that defines them as «transactions between a company and an insider», who is a person considered to be part of the company (Pan & Hsiu-Cheng). The common element is the relationship between parties that can influence and establish the binding conditions of the contract (implicitly or explicitly), which are different because the parties are not independent.

One of the most influential and widespread definitions is provided by International Accounting Standards which define RPTs as a «transfer of resources, service or obligations between a reporting entity and a related party, regardless of whether a price is charged» (IAS 24), and where «a related party is a person or entity that is related to the entity that is preparing its financial statements» (IAS 24). Two or more parties are considered to be related, both companies and people, when one of them has the ability to influence the other in making operational or financial decisions. Furthermore, International Accounting Standards state that related entities are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others), including where the entity, or any member of a group provides key management personnel services to the reporting entity or to the parent of the reporting entity. The latter provision was added by Annual Improvements to the IFRSs 2010–2012 Cycle, taking effect for annual periods beginning on or after 1 July 2014. This version does not deem two entities related simply because they have a director or key manager in common.

To sum up, RPTs can be observed through different perspectives, one that puts the risks before the advantages produced by these transactions, and the other which highlights their natural tendency to reduce monitoring costs and information asymmetry.

From a theoretical perspective, RPTs are studied according to two different perspectives:

(a) conflicts of interest;

(b) the efficient transaction hypothesis.

Lemmon and Lins (2003) suggest that a corporation ownership structure is what principally determines the extent of agency problems between controlling insiders and outside investors. The insiders able to control corporate assets can potentially expropriate outside investors by diverting resources for their personal use or by committing funds to unprofitable projects that provide private benefits. Furthermore, Grossman and Hart (1980) showed that if a corporation has a broad shareholder base, no single shareholder has adequate incentives to monitor management closely. In this context the transfer price could favor the controlling or related party at the expense of minority shareholders (Johnson et al. 2000). For this reason it is important to guarantee an adequate legal process that protects minorities and small investors. La Porta, Lopez-de-Silanes, Shleifer, and Vishny (1998) argue that the absence of strong legal protection and other external governance mechanisms further increases the severity of agency problems between controlling insiders and outside investors.

Based on these assumptions, the first theory supports the idea that these transactions are a conflict of interest and that they conflict with company and investor protections (Emshwiller 2003). The conflict of interest theory claims that RPTs may in general be the instrument of abuse relating to two main opposing groups: ownership and control (executive directors and management), or between majority and minority shareholders.

The first conflict is examined by Agency Theory literature (Jensen and Meckling 1976, Fama 1980, Eisenhardt, K. 1989), which also deals with the effectiveness of monitoring management (Fama and Jensen, 1983, Fama and Jensen, 1983). The second conflict is sufficiently analyzed in literature as an investor protection tool (La Porta et al 2000). In particular, these transactions are subject to moral hazard, i.e. a situation where a party has the tendency to take risks because it is not liable for any costs incurred. Thus, RPTs can produce benefits for the strong party (insiders) at the expense of the weak (outsider). The reasons for this discrepancy are the lack of elements to preserve the minority's rights and the presence of asymmetric information (Beak et al. 2006). Some examples of this abuse could lead to a reduction in shareholder wealth (tunneling transactions), yielding a virtual increase in the resources of the corporation or finally towards producing misleading statements (earnings management). Furthermore, some studies (Gordon 2004 et al., Kohlbeck and Mayhew 2005) conclude that weak corporate governance leads to a larger number of RPTs. Several studies have confirmed the use of earnings management by large numbers of listed companies in order to achieve particular levels of ROE (Chen and Yuan 2004, Liu and Lu 2007). The manipulation of the process of financial reporting to obtain private gain may be easily placed through RPTs.

In contrast with the previous approach, the efficient transaction hypothesis assumes that related party transactions represent sound business exchanges, efficiently fulfilling the underlying economic needs of the corporation (Pizzo 2011). The basis of this theory is the reduction of transactions costs as well as the reduction of the risk associated with these transactions.

Although the theories are opposed, Kohlbeck and Mayhew (2005) suggest that the potential benefit or detriment depends on the parties involved in the transaction or the type of RPTs conducted.

Some studies underline a positive relation between RPTs and corporate performance, through increasing sales or reducing transaction costs (Khanna and Palepu 1997), whereas other studies support the evidence that there is a negative association between

RPTs and performance, with Tobin's q and ROA (Munir & Gul 2011), or ROE (Cheung et al. 2009). In addition, Pozzoli and Venuti (2014) conclude that RPTs and company financial performance (ROA) are not correlated and there is no evidence of cause and effect. Considering Tobin's q and the net profit after tax divided by the average shares outstanding for the year, Wen-Yi Lin et al. (2010) claim that it is difficult, if not impossible, to determine whether such transactions are beneficial or detrimental to organizational performance, and this evaluation should be made case by case. This analysis is made harder considering the difficulties in the different activities due to ordinary and anomalous transactions (Wong & Ming 2003).

Other studies evaluate the effect produced by RPTs on the corporate value. For instance, Kohlbeck & Mayhew (2009) found that the market assigns lower values and subsequent returns to corporations that engage in certain types of RPTs. Moreover, this study verified the different influences RPTs had in relation to the type of RPT involved.

The conflicts of interest theory and the efficient transaction theory are not necessarily in opposition, because these transactions can produce benefits as well as disadvantages. For this reason, as stated by Goshen (2003), a total ban on self-dealing would be irreconcilable with the goal of preserving the performance of efficient transactions. Furthermore, a non-intervention approach does not protect the investor from the conflict of interest problem.

Finally, a contingency perspective has been suggested that encompasses both the theories (Pizzo 2011). The basis of this perspective is the consideration that both of the above research methodologies have inconsistencies or deficiencies and are unable to cope with various kinds of possible cases.

Some studies suggest that, on average, RPTs are not harmful to outside shareholders (Ryngaert & Thomas 2011). This observation can be extended to the other classes of stakeholders (Henry et al. 2007). However a high inherent risk exists due to the attitude of RPT, higher than for other operations, to engage in fraudulent behaviors. In particular this type of transaction tends to increase the discrepancy in treatment between those who hold the power and those who can only be subject to it (minority shareholders or shareholdings in general).

Most of these transactions are a normal feature of business, because many entities frequently carry out their activities through subsidiaries, joint control or significant influence, and the fact that corporations conduct a high volume of such transactions should not automatically lead to the conclusion that they are instruments used to hide accounting and financial fraud (Gordon et al. 2007).

Although it should be remembered that the disclosure of RPTs is essential for the proper understanding of corporate performance, it does not itself prevent improper or illegal activities. Consequently informing stakeholders is different from supplying a legal protection of stakeholders' rights.

Regarding disclosure, some studies (Chalmers 2001, Chalmers and Godfrey 2004, Taylor and Darus 2006) provide evidence that the quality of voluntary derivative disclosure by corporations gradually increased over the period leading up to the introduction of the mandatory disclosure requirements, and, at the same time, there was a significant increase in voluntary disclosure in the year in which the mandatory disclosure requirements came into effect. Hwanh et al. (2013) provide evidence that disclosure regulation helps to reduce a few types of transactions (earnings management), but this influence is non-symmetric between different sectors.

More detailed disclosure requirements limit the number of accounting choices to managers, forcing them to disclose related party information (Leuz and Verrecchia 2000).

Regulators have issued rules aimed at increasing the transparency of RPTs and reducing their tendency to generate conflicts of interest.

From a normative point of view the presence of gaps and weaknesses is clear.

Numerous studies provide evidence of their role in many financial crises (Swartz and Watkins 2003; Tague 2004) and in achieving specific aims (Erickson et al. 2000), whilst others show that RPTs did not play a strategic role in various corporate scandals (Bell & Carcello 2000). While the presence of RPTs is not indicative of fraudulent financial reporting, failure to recognize or disclose related party transactions was found to be one of the top 10 audit deficiencies in the United States by Beasleye at al. (2001).

Regulators reacted by strengthening the existing rules introducing new bans and requirements, aimed at guaranteeing the respect of stakeholders' rights. For instance, in 2002 the Sarbanes–Oxley Act set new or enhanced standards for all U.S. public company boards, management and public accounting corporations with the aim of restoring public trust in the nation's securities markets. Section 402 of the document deals with the issue of conflicts of interest and prohibited loans to some related parties such as directors and officers.

In response to the perception that stricter financial governance laws were needed, SOX-type laws were subsequently introduced in many other countries such as Japan, Germany, France, Italy and Australia.

However, these frauds can be carried out with parties not included in the most common definitions of related parties.

As stated, the attention paid to these transactions in particular is due to their greater inherent risk. Hence regulation cannot exclude a risk approach to evaluating the transactions to be disclosed in order to identify a correct tradeoff between costs and positive effects.

2. Research questions and sample

Research questions

The aim of our analysis is to verify whether there is an association between the intensity of revenues with related parties and the firm's profitability, as well as with turnover trends. Data was collected from(?) consolidated financial statements in order to limit the effects produced by the group's dimension.

In particular, we were not interested in identifying an association between ROI (return on investments), ROE (return on equity) and ROA (return on assets), but we took into account the effects produced by an increase or a reduction in these ratios between 2010 and 2011. The reason for this was that the selected companies operate in different sectors that are characterized by different profitability averages. The same analysis was made on the turnover trends in the same period.

The following questions were asked:

RQ 1) Is there an association between revenues with related parties and the firm profitability?

To identify this correlation we took into account the variation of ROI between 2010 and 2011. We used ROI, that is the relation between EBIT and total assets. We chose ROI because it explains the core business profitability. On the contrary the use of other indicators such as ROE and ROA are affected by many other extraordinary components that can change values without a proven crisis sign. A positive association may mean that these transactions are efficient and can really help companies to yield better economic results. On the contrary, an inverse association could be a warning sign that emphasizes the inherent risk behind these transactions.

RQ 2) Is there an association between revenues with related parties and the turnover trend?

In the last few years the recession has brought about a contraction in sales in many sectors. This is one of the main reasons why companies have stopped generating wealth and have started to consume it.

We investigated if companies that increase or reduce in turnover are more or less oriented to carrying out revenues with related parties. A statistical association between the intensity of related party revenues and an increase in turnover may be evaluated as a physiological effect. On the contrary an association between the intensity of related party revenues and a reduction in turnover might be interpreted as an means to reduce the economic disequilibrium.

Sample

The empirical analysis considers the 100 most capitalized Italian listed companies in 2010 and 2011. We chose to exclude banks because they are subject to specific rules on related party transactions. Appendix 1 shows the list of companies.

Model design

The model that we suggest is innovative and it is aimed at verifying the relation between the intensity of RPR and other variables.

$$RPR\ intensity = \alpha + \beta i\ \Delta Turn + \beta ii\ \Delta ROI + \beta iii\ \Delta Cash + \beta iv\ Marg2011 + \varepsilon \qquad (1)$$

We consider the intensity of RP Revenues as the ratio between RP revenues and the 2011 turnover. The reason why we prefer turnover to the total assets value is because it explains the importance of the company on the market better. Different businesess required different investments, which could influence the association with the other variables taken into consideration. The ratio is:

$$RPR\ intensity = \frac{Related\ party\ revenues}{Operating\ revenues} \qquad (2)$$

ΔTurn is the relative increase or decrease in turnover between 2011 and 2010. We opted for a ratio in order to reduce the effect produced by the difference in size. The ratio is:

$$\Delta Turn = \frac{Turnover\ 2011 - Turnover\ 2010}{Turnover\ 2010} \qquad (3)$$

ΔROI is the difference between 2011 operating profitability and the one in 2010 ROI (return on investment) is a performance measure used to evaluate the operating profitability. ROI is the relation between EBIT and total assets. We opted for it because it explains the core business and it is not influenced by other variables such as financial elements or extraordinary results. This is the formula:

$$\Delta ROI = ROI\ 2011 - ROI\ 2010 \qquad (4)$$

ΔCash is a way to evaluate the firm's financial trends This indicates the difference between the Net Cash Flow between 2011 and 2010. This is the formula:

$$\Delta Cash = \frac{Cash\ 2011 - Cash\ 2010}{Cash\ 2010} \qquad (5)$$

Marg 2011 is the relation between EBITDA and Operating revenues. It is a stock variable, and we used it to

verify if companies with higher related revenues in 2011 had higher operating margins in the same year.

3. Results

An OLS linear model was used (Model I) to develop this study. All analyses were performed with SPSS (22).

A R^2 of .378 is a low value, but it can be considered adequate if the independent variable is the intensity of the related revenues on the total (table 1).

Table 1. Model Summary$_b$

Model	R	R Square	Adjusted R Square	Std. Error	Durbin-Watson
1	.615$_a$	.378	.351	.17080	1.775

a. Predictors: (Constant), ΔTurn, ΔROI, ΔCash, Marg2011.
b. Dependent Variable: RP Revenues intensity.

Table 2. ANOVA$_a$

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1.634	4	.408	14.001	,000$_b$
	Residual	2.684	92	.029		
	Total	4.318	96			

a. Dependent Variable: RP Revenues intensity
b. Predictors: (Constant), ΔTurn, ΔROI, ΔCash, Marg2011.

Empirical evidence shows the variables observed have significant influences on the intensity of related revenues on the total, since their p-value is between 0.05 and 0.01.

Table 3. Coefficients$_a$

Model		Unstand. Coeff.		Stand.Coeffi.	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.026	.024		1.086	.280
	ΔTurn	-.264	.086	-.285	-3.081	.003
	ΔROI	-1.970	.397	-.479	-4.963	.000
	ΔCash	.071	.022	.301	3.276	.001
	Marg2011	3.878E-18	.007	.306	3.612	.000

The results in Table 3, show there is a negative relation between a fluctuation in turnover and the intensity of the RP revenues. This means that companies that registered a decrease in turnover between 2010 and 2011 are the companies that in 2011 have the higher RP revenues intensity.

The same association is extendible to firm profitability. A reduction in profitability seems to induce companies to state more revenues with RP.

On the contrary, table 3 shows a positive association between the difference of Net Cash Flow and the intensity of the RP revenues. It produces two different outputs: the first one suggests that it is interesting to expand this type of analysis also to the financial dimension of RPTs, and, the second may underline that RP revenues are used to inject liquidity into the firms. This may be useful for the firm, but at the same time it subordinates these transactions with a sole financial necessity. There is also a positive association between Marg2011 and the intensity of the RP revenues.

Table 4 and 5 evaluate the multicollinearity problem.

Table 4. VIF

Model		Collinearity Statistics	
		Tolerance	VIF
1	(Constant)		
	ΔTurn	.788	1.269
	ΔROI	.724	1.380
	ΔCash	.801	1.248
	Marg2011	.944	1.059

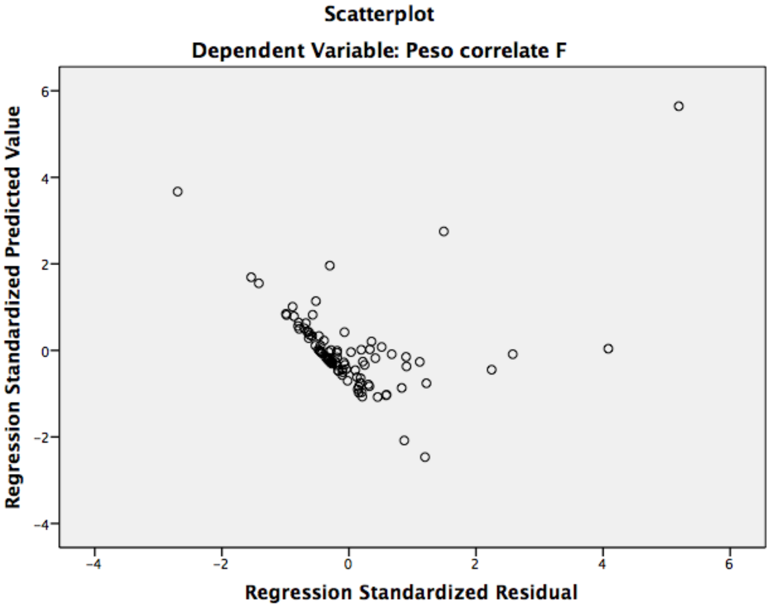
Table 5. Multicollinearity index

Model	Dimension	Eigenvalue	Condition Index
1	1	1,909	1,000
	2	1,613	1,088
	3	,660	1,701
	4	,479	1,996
	5	,339	2,374

VIF values are low and suggest that there are no correlations between independent variables. Furthermore, the multicollinearity index is also slow in confirming the adequateness of the model.

Table 6 shows that our model is not affected by a heteroschedasticity problem.

Table 6. Heteroschedasticity



4. Conclusions

As suggested in literature, RPTs may be instruments to carry out abuse concerning conflicts of interest between ownership and control or between majority and minority shareholders. These transactions are subject to moral hazards, and for this reason are characterized by a greater inherent risk than other transactions. Regulators have recently strengthened existing rules, introducing new bans and requirements, aimed at guaranteeing the substantial and economic fairness of these transactions.

The objective of this normative process is to guarantee a correct use of RPTs.

This paper produces evidence which justifies the potential risk of these operations. In particular, focusing only on the revenues made with RP, we investigated the relation between the business trends and the intensity of RP revenues in the income statements.

The first variable considered is the difference in Turnover between 2010 and 2011. A reduction in turnover must be seen as one of the main common problems for a firm. It may be generated by a problem in efficacy of the outputs produced or it may also be the effect of an environmental economic situation. Obviously, considering the importance of the fixed costs in the Italian income statements a reduction in turnover can bring the business into question.

Our analysis responds to the first RQ with positive evidence. There is a statistical negative association between the turnover trend and the intensity of RP revenues. This may also be read as a warning because companies that are subject to higher reduction in turnover are more oriented to producing revenues with RPs. These results partially justify the recent tightening in rules.

The second element that we took into account is the difference in firm profitability. In particular we investigated the relation between the difference in ROI (return on investments) and the intensity of the RP revenues. Our analysis responds to the second RQ with positive evidence. There is a statistical negative association between the ROI trend and the intensity of RP revenues. This is another sign of potential danger because companies that are subject to higher reduction in profitability are more oriented to producing revenues with RPs.

We also tested the intensity of RP revenues on two other variables: the variation of net free cash flow and the EBITDA margin.

The cash flow trend need to verify the relation between RP revenues and the financial position of the firm. The study highlights a positive association between these variables. This suggests that companies with a better financial position do not incur high RP revenue intensity.

It produces two different outputs: the first one suggests that it is interesting to expand this type of analysis also to the financial dimension of RPTs, and the second may underline that RP revenues are used to inject liquidity into the firms. This may be useful for the firm, but at the same time it subordinates these transactions with a sole financial necessity.

There is also a positive association between Marg2011 and the intensity of the RP revenues. This suggests that companies with a higher Margin are companies that make mere revenues with RPs. This positive association suggests the potential risk behind these RP revenues, because they may be the reason why this margin is higher.

This study provides a starting point for future research, which could extend our analysis (which deals only with economic effects) to include financial effects and consider other elements that are influenced by the intensity of RP revenues.

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Appendix

1	A.S. ROMA SPA
2	A2A S.P.A.
3	ACEA S.P.A.
4	ACOTEL GROUP SOCIETA' PER AZIONI
5	ACSM-AGAM S.P.A.
6	AEDES SPA
7	AEFFE S.P.A.
8	AEROPORTO DI FIRENZE S.P.A.
9	AMPLIFON S.P.A.
10	ANSALDO STS S.P.A.
11	ARNOLDO MONDADORI EDITORE SPA
12	ASCOPIAVE S.P.A.
13	ASTALDI S.P.A.
14	ATLANTIA S.P.A.
15	AUTOGRILL S.P.A.
16	AUTOSTRADE MERIDIONALI S.P.A.
17	B. & C. SPEAKERS - SOCIETA' PER AZIONI
18	BASIC NET S.P.A.
19	BASTOGI S.P.A.
20	BE S.P.A.
21	BEGHELLI S.P.A.
22	BEST UNION COMPANY S.P.A.
23	BIESSE S.P.A.
24	BREMBO S.P.A.
25	BUZZI UNICEM S.P.A.
26	CAIRO COMMUNICATION S.P.A.
27	CALTAGIRONE EDITORE S.P.A.
28	CEMBRE S.P.A.
29	CEMENTIR HOLDING S.P.A.
30	CIR S.P.A.
31	COFIDE - GRUPPO DE BENEDETTI S.P.A.
32	DANIELI & C. S.P.A.
33	DATALOGIC S.P.A.
34	DAVIDE CAMPARI-MILANO S.P.A.
35	DE' LONGHI S.P.A.
36	DIASORIN S.P.A.
37	EL.EN. - S.P.A.
38	EMAK S.P.A.
39	ENEL - SPA
40	ENEL GREEN POWER S.P.A.
41	ENGINEERING - INGEGNERIA INFORMATICA - S.P.A.
42	ENI S.P.A.
43	ERG S.P.A.
44	ESPRINET S.P.A.
45	FALCK RENEWABLES S.P.A.
46	FIERA MILANO S.P.A.
47	FINCANTIERI S.P.A.
48	FINMECCANICA S.P.A.
49	FNM S.P.A.
50	GEOX S.P.A.
51	GRUPPO EDIT ORIALE L'ESPRESSO S.P.A. SI
52	HERA S.P.A.
53	IGD SIIQ S.P.A.
54	IMA S.P.A.
55	IMMSI S.P.A.
56	INTERPUMP GROUP S.P.A.

57	IREN S.P.A.
58	ITALCEMENTI FABBRICHE RIUNITE CEMENTO S.P.A.
59	ITALMOBILIARE SPA
60	JUVENTUS F.C. - S.P.A.
61	LA DORIA - S.P.A.
62	LUXOTTICA GROUP SPA
63	MAIRE TECNIMONT S.P.A.
64	MARR S.P.A.
65	MEDIASET S.P.A.
66	NICE S.P.A.
67	OLIDATA S.P.A.
68	PARMALAT S.P.A.
69	PIAGGIO & C. S.P.A.
70	PIRELLI & C. S.P.A.
71	PRADA S.P.A.
72	PRELIOS S.P.A.
73	PRIMA INDUSTRIE - S.P.A.
74	PRYSMIAN S.P.A.
75	RCS S.P.A.
76	RECORDATI INDUSTRIA CHIMICA E FARMACEUTICA S.P.A.
77	REPLY S.P.A.
78	RISANAMENTO SPA
79	SABAF S.P.A.
80	SAFILO GROUP S.P.A.
81	SAIPEM S.P.A.
82	SALVATORE FERRAGAMO S.P.A.
83	SARAS S.P.A.
84	SAVE S.P.A.
85	SEAT PAGINE GIALLE S.P.A.
86	SERVIZI ITALIA S.P.A.
87	SNAI S.P.A.
88	SNAM S.P.A.
89	SOCIETA' INIZIATIVE AUTOSTRADALI E SERVIZI S.P.A.
90	SOGEFI S.P.A.
91	SOL S.P.A.
92	SORIN SPA
93	TAMBURI INVESTMENT PARTNERS S.P.A.
94	TELECOM ITALIA SPA
95	TERNA S.P.A.
96	TOD'S S.P.A.
97	TREVI - FINANZIARIA INDUSTRIALE S.P.A.
98	VIANINI LAVORI - S.P.A
99	YOOX S.P.A.
100	ZIGNAGO VETRO S.P.A.