THE CORPORATE CHOICE AMONG COMMON STOCK, CONVERTIBLE BONDS AND STRAIGHT DEBT: FIRM'S CASH FLOW INTERPRETATION IN THAILAND.

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MASTER OF SCIENCE PROGRAM IN FINANCE
(INTERNATIONAL PROGRAM)
FACULTY OF COMMERCE AND ACCOUNTANCY
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An Independent Study

Submitted in Partial Fulfillment of the Requirements

for the Degree of Master of Science (Finance)

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Faculty of Commerce and Accountancy
Thammasat University, Bangkok, Thailand
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On May, 2009

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The Corporate Choice Among Common Stock, Convertible Bonds and Straight Debt: Firm's Cash Flow Interpretation in Thailand.

ABSTRACT

This study aims to investigate the relationship between firms' financial health and external source of fund for firms' financing in relation to common stocks, convertible bonds and straight debts. In this study, a cash flow statement which illustrates all firm's activities namely operation, investment and financing is primarily used to indicate firm's financial health. Based on cash basis, a cash flow statement can reflect a firm's performance better than a profit and loss statement based on accrual basis. Besides, cash flow is more difficult to perform accounting manipulation.

I. INTRODUCTION

Management is responsible to balance cash inflow and outflow in order to manage a firm's working capital at the appropriate level. In the events of liquidity shortage or new project expansion, a firm may require an additional capital. Management must choose the most appropriate source of fund for a firm's characteristic as well as choosing its future cash inflow estimation. For example, a firm financed by loans or straight debts has to ensure that its future cash inflow is stable and sufficient to secure all principles and interest payments including lending periods. Moreover, debt covenants must be reached the target according to a loan agreement. Positive net cash flow implies a firm's healthy performance and possibly good credit rating, which may enable a firm to borrow at the competitive interest rate. A firm that issues convertible bonds are normally growth firm. Such firm cannot issue stocks at the target price and it cannot be financed by straight debts with high interest rate. The issuance of convertible bonds is the method a company uses to delay stock prices and to finance at lower rate. With respect to convertible bonds, lower interest rate will be compensated by a bond holder's right to change his status from a debt holder to a stock holder. However, issuing additional common stocks is negative sign for market. Issuing convertible bonds tends to reduce negative view in a market because when a listed company issues additional common stocks, a market normally assumes that an existing shareholder's value is diluted. Though a firm choosing to issue convertible bonds will receive lower interest rate than those choosing ordinary bonds, it can retain the investor's right to convert their bonds to common stocks.

This study is based on the pecking order theory which states that cashflow component indicate the firm performance for select the appropriate source of financing for a firm. Normally, a firm prefers internal financing then offering debt and lastly issuing equity, respectively. However, external finance is widely used for many reasons. Not only avoids liquidity problem which may arise when large amount of retained earnings are exploited, an external finance also offers much

larger amount of funding and possible tax benefits. There are various sources of external financing; the most widely-used methods are straight debt, convertible bonds and common stock. Among these three sources, a firm prefers straight debt because it has the lowest financing cost, especially information cost (Myer 1984). A firm launches convertible bond to encourage the lender to borrow with lower interest rate and decrease information cost by serving both bond holder and stock holder while an unhealthy firm with high leverage ratio, high investment risk and uncertainty cash flow tend to finance by issuing stock. The latter statement is opposed by Barclay (2001) stating that high growth firms are compatible to use equity in their structure.

The important model applied in this study is GNW cash flow model developed by Gentry, Newbold and Whitford. The GNW model focuses on eight categories related to total cash flow inflow and outflow of the firm, namely net operating flow (NOF), change in net working capital (NWC), net investment flow (NIF), fixed coverage expenditures (FCE), dividends (DIV), change in net financing (NFF), change in net other asset and liabilities (NOA & L) and change in cash of the firm (NCF).

This study begin with net operating cash flow (NOF), the crucial part that presents the firm's operational performance in generating cash flow, is also a key driver to other components of cash flow i.e. net investment flow (NIF), fixed coverage expenditure (FCE), dividend (DIV), surplus net cash flow (NCF) and net financing flow (NFF). Net financing flow is further divided into three parts, namely short term loan (STB), net debt financing flow (FIND) and net equity financing flow (FINE). Normally, a company with high cashflow from operating (NOF)will allocate for invest in fixed asset (FCE) and make other investment (NIF) as figure(1) and pay more cash outflow for dividend (DIV) as figure(2), repayment their debt and if they have more cash exceed their debt, they will lend to other as figure(3) and gain positive net cashflow (NCF).

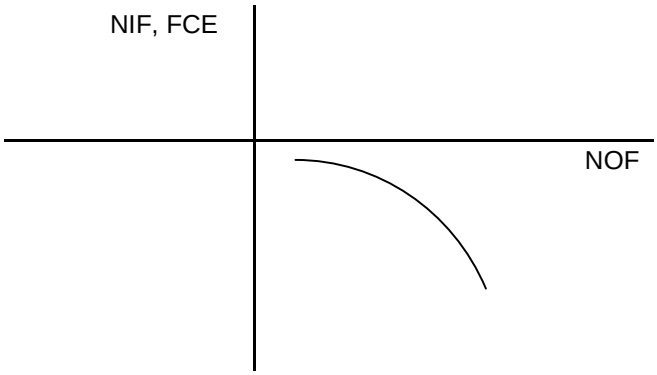
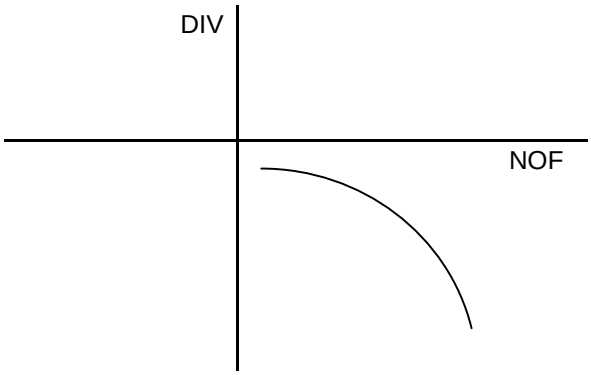


Figure (1)



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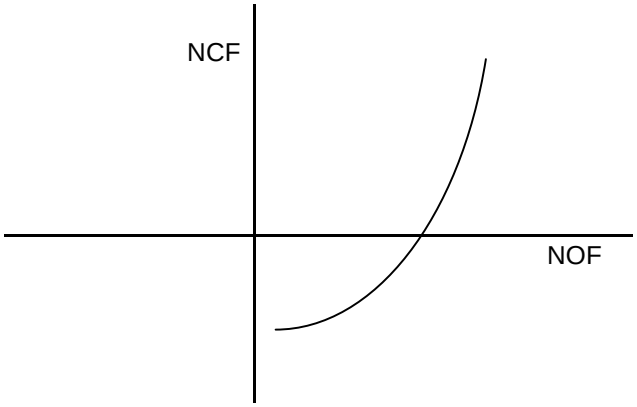

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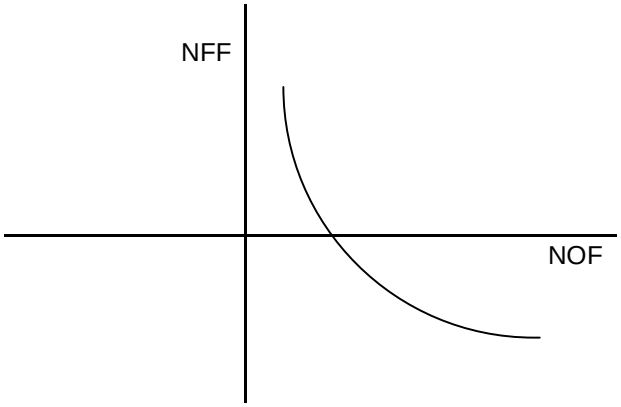

Figure (4)

The above eight cash flow components will be used to test the following financial health hypothesis:

H1: A firm with a large portion of equity has less ability to generating cash flow from its operations (NOF).

A Firm facing operational problems will have uncertain cash inflow from its operation. Straight debt is not suitable since unstable cash inflow cannot always redeem their debt. Thus, they will choose to issue equity.

H2: A firm with a large portion of equity has less ability to use its fund net investment (NIF and FCE).

A healthy firm can invest in valuable projects and gain more profits and cash inflow. Therefore, a healthier firm prefers debt offering to equity issuance since debt offering generates lower cost and a firm is able to repay its debt.

H3: A Firm with a large portion of equity has less ability to pay dividends or can pay dividends in a smaller amount (DIV).

A firm normally realizes that a market is sensitive to a dividend announcement. Thus, a good firm tries to pay higher dividend in every year or at least keeps the same standard as it did in the last period. A dividend announcement is the important channel to communicate with a market. Investors consider a firm providing a high or increased dividend payment for their shareholders a healthy firm while they identify a firm with a low or decreased dividend payment as an unhealthy firm.

H4: A Firm with a large portion of equity has a larger portion of cash flow from external financing (NFF).

A firm issuing stocks is considered an unhealthy firm which generates low net operating flow (NOF) so a firm generating low level of cash flow has to be financed by external financing.

H5: A Firm with a large portion of equity usually has a high D/E ratio before issuing equity.

In light of financing selection, a healthy firm prefers debts to equity but if firm obtain too high of debt or leverage they will face with financial distress and high bankruptcy cost. If they need more fund they have to issue equity.

Relative Cash Flow Components	Financial Health Hypothesis
Net Operating Flow (NOF')	-
Net Short Term Borrowing Flow (STB*)	-
Net Debt Financing Flow (FIND')	-
Net Equity Financing Flow (FINE*)	+
Dividend Payment (DIV')	-
Net Investment Flow (NIF')	-
Fixed Coverage Expenditure (FCE*)	0*
Net Working Capital (NWC')	0

Note: *The sign can be either + or -

Moreover, this paper is investigating the changes in company's performance collating between the year prior to and after the bond issuance. The company issuing bonds will have a better performance during the period after the issuance than that during the year prior to the issuance because a healthy firm will be financed for investment or it will improve its performance which those operations likely to generate high operating cashflow and dividend payments to shareholders. In contrast, the performance of an unhealthy company and the percentage of investment of the year after offering will lower than those of the year before issuing because they finance for maintaining company's liquidity not for enhancing their capacity.

The result from this study will support the various levels of firm's performance which have an impact on the selection of appropriate funding alternatives among different external financings. In addition, the study will measure the performance of offering firm prior to and after offering period.

II. LITERAT URE REVIEW

In this section, literature from an array of financing sources related to cash flow components will be reviewed and synthesized to develop thorough understanding of previous studies relevant to our research area.

According to, Hei-Wai Lee and Jame A. Gentry's study regarding ", an empirical Study of the Coporate Choice Among Common Stocks, Convertible Bonds and Straight Debts: A Cash Flow Interpretation". They test on cash flow structure of a firm which offers each type of financing and observe firm's performance of the year prior to and after the offering period. They found that cash flow can imply firm's financial health and it is significant since it helps in the prediction of the most appropriate source of financing that a firm should use The finding explains that when a healthy firm with great cash inflow from its operation requires more funds, it will request straight debts. Nevertheless when an unhealthy firm needs more funds, it will issue common stocks. An unhealthy firm with weak or uncertain cash inflow prior to and after financing happened will make a less dividend payment from times to times. Moreover, a firm mainly financed by straight debt issuance tends to issue straight debt from times to times. A firm mainly issuing equity are funded by increased equity from times to times.

The study by M.P.Narayanan in the topic "Debt versus equity under asymmetric information" indicates that outsider investors have less to know about firm's quality than insider investors does so they classified a firm by its financing methods. A firm funded by internal financing will be classified as a high quality firm and a firm issuing common stocks is considered a low quality firm. Debt offering is better than equity issuance because they are able to take an advantage of corporate tax benefits, information cost and gain a lower level of financing reserve (such as by paying dividend).

A firm issuing equity is justified and interpreted by Dittmar and Thakor. They suggested that a firm will issue equity when stock prices are high or overvalue in market perspective and a

firm requires massive fund to invest in innovative projects. Moreover, a firm can persuade investors to invest in their projects. As a result, a firm who issued equity will have larger expansion in their investment project.

Paul Marsh explains how a firm chooses financing between long-term debt offering and equity issuance. He focuses on factors affecting a firm's decision. The selection of firm is influenced by debt ratio. A firm issues equity when its position is above target leverage. Marsh also found that a firm's decision is influenced by market conditions and stock price background including a company's size and asset and counter party risk. Furthermore, a target debt ratio both in short-term and long-term periods also significantly affects a firm's decision.

Laurent Sandra studies about the capital structure of a UK firm which issues preference shares and convertible bonds. Sandra tries to prove that the capital structure theories can describe the characteristic of a company issuing convertible bonds and preference shares. She assumed that preference shares are representing equity financing while convertible bonds is standing for debt. The study concluded that the capital structure of a company issuing preference share is in risk and it is a high growth company with large size (presented by sale volume) and high asset structure. By issuing convertible bonds, a company's capital structure must have larger sale volume and asset structure and less risk and growth opportunity than stock issuing company. Vasiliou Dimitrios who investigates the relationship between size, non debt tax shields, the tax payout ratio and growth to debt to equity ratio of the firm notes that there is negative relation between D/E ratio and sale volume or a firm with high percentage of sale prefers using debt to equity. In contrast, there is negative relation with growth or high growth firm who financing by equity more than debt.

According to the study of Moshe Hagigi, Kumar Sivakumar and Eng Wu (2005) regarding the management earning during equity issuing period, equity issuing companies are divided into two groups; (1) a company with slight requirements of the issuance of additional

equity for following year and (2) a company with high requirements of the issuance of additional equity for following year. The study found that there is an unusual increase in the percentage of income in the period prior to and after issuing equity in the company (1). However, there is no significant change in the income during the equity issuing period in the company (2). The study concludes that the company (1) has incentive derived from the previous periods to manipulate and cover the income. However, concerning on its future performance, the company (2) raise only a little income.

The justification of the influence of cashflow volatility to S&P bond rating can be supported by Bemadette A. Minton and Catherine Schrand's study in 1998. They suggest that net cashflow volatility has significant inverse in correlation with S&P bond rating. A high cashflow volatility company grants less confidence from investors in a bond market. While earning volatility is significant relate to stock issuing because earning volatility is highly relate to beta of stcok or investor from stock market more concern about past company's earning and use as proxy to predict company's performance.

III. THEORETICAL FRAMEWORK

This study builds on five major theories about capital structure. First of all is pecking order theory. This theory relies on the assumptions that firm prioritizes financing from internal financing (retained earning), riskless debt, risky debt and equity. Pecking order as suggested by Myers and Majluf (1984) is related to financing health. If a firm has good financial health or great profitability, it should use internal financing. Meanwhile, a firm with high future cash inflow or good credit prefers bank financing or corporate bond issuing and then hybrid securities for example convertible bond, whereas a firm that issues stock tends to have lowest level of financial health because stock issuing firm will face with highest cost from information cost and capital gain will be deducted in the future. Moreover, market will look at a firm which offers straight debt as healthy or possitive sign as it can settle its obligation while negative sign for equity issuing.

Shyam-Sunder and Myers(1999) extend pecking order theory by using major cashflow component to indicate the change in debt of the company. They point out that debt requirement or the vary in debt will relate to inadequate fund of the company as follow equation:

$$\Delta Di,t = a + bi\ DEFi,t + \varepsilon i,t$$

where $\Delta Di,t$ present the change in debt and $DEFi,t$ define cash that company need for dividend payment, investment, repayment current liability and less cash flow from operations. If $\Delta Di,t$ is positive, it is supposed that the company need more debt and if $\Delta Di,t$ is negative, company will repayment their debt.

Secondly, tradeoff theory from Kraus and Litzenbergeris used. It implies the decision of firm's capital structure by a tradeoff between debt and equity and also compares costs and benefits of offering debt or equity. Offering debt obtain benefit from tax shields and there is cost of financial distress as bankruptcy cost is the cost of offering debt, while issuing common stock, company has lower disruption cost but the information cost will be higer. Company's management try to balance between equity debt and equity at optimal point because in practical, tax shields will be wasted when company has too high of leverage and cost of bankruptcy will increase instead. When a firm selects any choice of financing, they concern about firm financial leverage and their future cash flow. In this paper hypothesis that the firms that issue additional common stock indicate as unhealthy firms that have high leverage ratio, lower level or uncertainty to generate future cash inflow.

Next theory is market timing theory. This theory points out that firm issues equity when it realizes that it is overvalued or highly market to book value and repurchase when market to book is low. Based on this theory, if market evaluates higher intrinsic value of a firm, which is reflected by information conveyed to the investor, a firm should issue stocks.

From signaling theory support that company will be used to decrease the information cost. There are many method as the amount of dividend declare, type of financing that company utilize, NPV of the project's investment. Company that confident in their project or know about truly value of the company will issue straight debt or convertible bonds than equity due to lower cost. Issuing stright debt company indicate high quility company owing to good credit rating and have ability to repayment their debt. Company issue convertible bonds since they can not issue bonds at market rate and issue stock at target price so they choose convertible bonds to convey market and reduce cost of information. And issuing common stock company will communicate with the market that they can provide the positive NPV from their investment.

Agency theory is another premise for this study. Agency theory contend that there is a conflict between manager and stockholders because of different in intention about company value , compensation plan and selected project to invest for example management and stockholders have different plan on to run the business. Mamagement try to create good positive NPV project or invest for increase their benefit as invest in tempolary high NPV project and then they sell stock in their own but may not be the best for shareholder because company is unlimit life hence shareholders will prefer project that can generate cash inflow for long run. Bonds and convertible bonds issuing can decrease agency theory because claimholder as bank or debtholder will help stockholders monitoring in investment decision of management due to preserve their benefit.

IV. DATA

The data in this study are from the details of additional common stocks, convertible bonds and straight debts issued by the listed companies in the Stock Exchange of Thailand (SET) since 1997 to 2007. Key statistics include information from cash flow statements, balance sheets, and income statements. The sources of data are the Exchange Commission (SEC), the Stock Exchange of Thailand database, Bloomberg, Datastream, academic journals and articles, Stock Exchange of Thailand annual reports, and relevant textbooks.

The data include all straight debts and convertible bonds offered by listed company in Thai Bond Market. The additional common stocks issued on SET captures prefer stock and common stock. This paper excludes common stocks, convertible bonds and straight debts offered for specific purposes such as merger and acquisition or for employee's compensation.

In relation to all cash flow data gathered here, there are various sizes of cash flow in a firm. As a result, this study will eliminate the size factor. In addition, each cash flow variables will be divided based on asset value from balance sheets at the end of the calendar year. The analysis also includes an asset size as one important variable because size of a company affects type of financing.This paper classifies the major cash flow components into 10 groups as below:

Category	Abbreviation
Dividend Paid	DIV
Disposal of Fixed Assets	FCE
Capital Expenditures/Prop Add	FCE
Increase in LT Borrowings	FIND
Reimbursement of LT Borrowings	FIND
Decrease(Increase) in Loans	FIND
Increase in Capital Stock	FINE
Decrease in Capital Stock	FINE
Cash from Financing Activities	NFF
Decrease in Investment	NIF
Increase in Investment	NIF
Property Improvement	NIF
Other Investment Activities	NIF
Increase(Decrease) in Deposits	NOA&L
Increase (Decrease) in Insurance Reserve	NOA&L

Prov For Doubtful Accts	NOF
Cash Flow Net Income	NOF
Free cashflow added back by dividend	NCF
Depreciation & Amortization	NOF
Changes in Non-Cash Working Capital	NWC
Cash from ST Borrowing	STB

DIV = Dividend Payment

FCE = Fixed Coverage Expenditure

FIND = Net Debt Financing Flow

FINE = Net Equity Financing Flow

NFF = Net Financing Flow

NIF = Net Investment Flow

NOA&L = Net Other Asset & Liab. Flow

NOF = Net Operating Flow

NWC = Net Working Capital Flow

STB = Net Short Term Borrowing Flow

NCF = Net firm's cashflow

Data include debt to equity ratio and firm's size as additional important variables. This test classifies data from cashflow statements into 7 major categories and additional two variables namely debt to equity ratio and asset size in relation to financial health and company's

performance. DIV, FCE, NIF and NOF represent company performance because a high growth company will generate positive cash flow from operation (NOF) and transfer cash flow for investment in fixed asset (FCE) to increase ablility to generate cash inflow. Furthermore, a company will pay higher percentage of cash outflow on other investments such as securities, bond or real estate investment (NIF) and pay higher dividend for shareholders(DIV).

Besides, debt to equity raito, net financing (NFF) included both debt (FIND) and equity (FINE) financing and short term loan (STB), net other asset and other liabiities (NOA&L), net working capital (NWC) indicated firm status. A good firm can maintain debt to equity at the appropriate target ratio. It is mainly financed from external debt such as bonds and short term debt and it also has positive net other asset and other liabiities (NOA&L), net working capital (NWC).

V. METHODOLOGY

To analyze the effect of different financing source firm's on firm's financial health, this study will be divided into three parts, with different testing methodologies to test the sufficiency of cash flow to predict the type of securities offered by a firm.

The first part, this study applies the logit and probit model to test the power of cash flow components to predict the financing type offered by a firm. This part investigates the relationship between the types of financing and each component of cash flow tested on the year prior to the issuance period. The different of two models is the probit model assume normal distribution while the logit model allow non-normal distribution.

These two methodology is used to investigate the probability on different types of financing depending on the major cash flow components. This test employs these models that consider the financing type as the dependent variable, and Net Operating Flow (NOF), Net Short Term Borrowing Flow (STB), Net Debt Financing Flow (FIND), Net Equity Financing Flow (FINE), Dividend Payment (DIV), Net Investment Flow (NIF), Fixed Coverage Expenditure (FCE), Net

Working Capital (NWC), Net Other Asset & Liability (NOA&L) and Asset Size (Size) as the independent variables. The model can be explained as follow:

$$\Pr(y_1 = 1 \mid x_1, x_2, x_3, x_4, x_5, x_6, x_7, x_8, x_9, x_{10}, x_{11}, x_{12}) \quad (1)$$

where j = Type of financing

i = Firm number

t = Issuing year

and y = Each type of financing (1= issuing, 0 = not issuing)

x1 = Company size represented by log of asset size (Size)

x2 = Amount of dividend payment of the firm (DIV)

x3 = Cashflow generate from operating (NOF)

x4 = Company's short term debt (STB)

x5 = Company's long term loan (FIND)

x6 = Firm financed by issuing equity (FINE)

x7 = Amount of cash from investment activities of the firm (NIF)

x8 = Net financing flow (NFF)

x9 = Investment in fixed asset of the firm (FCE)

x10 = Amount of firm's net working capital (NWC)

x11 = Net cashflow that change from other asset and liability (NOAnL)

x12 = Company's debt to equity ratio (DE)

The pooled logit model as it takes any given observation as an individual observation. The pooled logit model uses the binary logistic regression where the dependent variable is dummy variable 0 or 1, which is used to investigate the relationship between the dependent and independent variables:

$$\Pr(y_i=1) = \frac{1}{1+ e^{-z_i}} \quad (2)$$

$$z_i = \beta_0 + \beta_1 x_{1i} + \beta_2 x_{2i} + \beta_3 x_{3i} + \beta_4 x_{4i} + \beta_5 x_{5i} + \beta_6 x_{6i} + \beta_7 x_{7i} + \beta_8 x_{8i} + \beta_9 x_{9i} + \beta_{10} x_{10i} + \beta_{11} x_{11i} + \beta_{12} x_{12i} \quad (3)$$

This model examines the relationship between cash flow components and type of financing. Beta1- Beta 10 represent the slope of coefficients of each dependent variable X1 to X10 that represent cashflow component associate with Z of type of firm's financing. Each beta signal the direction of the dependent variables moving in accordance with each dependent variable. Positive correlation represents that the dependent variable moves in the same direction with the independent variable while negative correlation describes that the dependent variable moves in opposite to the dependent variable. In addition, size of beta indicates the influence of each independent variable to the dependent variables. If the results show large value of beta, it means that the independent variable is strongly related to probability of the dependent variable.

The second model is paired t-test used to test the change in each cash component compared between mean of the year prior to and after the offering year. The paired t-statistic is used to compare one variable that explains two different outcomes. In this study, there is a comparison of cash flow components of the firm during two periods of times. The paired t-test of each cashflow component is defined as follow:

$$t_d = \frac{\text{sample difference} - \text{hypothesized difference}}{\text{standard error of differences}} = \frac{\bar{d} - \mu_d}{s_d / \sqrt{n}}$$

In addition, the hypothesis of the test is "Whether the mean difference of each cash flow in different time, μD, is different from zero". The details are as follow:

Null hypothesis: $H0 : \mu D = \mu 1 - \mu 2 = 0$

Alternative hypothesis $H1 : \mu D = \mu 1 - \mu 2 \neq 0$

$H2 : \mu D = \mu 1 - \mu 2 > 0$

$H3 : \mu D = \mu 1 - \mu 2 < 0$

This method is applied to test the cashflow components of issuing company. Cash flow components represent financial health and differences arising before and after issuing. Firm's performances are divided into eight cashflow component categories. The change in performance can be indicated by changing in mean of each component with relative cash flow.

VI. EMPIRICAL RESULT

[Table I is here]

Table I applies the t-test to compare cashflow components of three types of financing firm before issuing period. The finding shows that the bond issuing companies are healthier than other two financing issuing companies, because they pay the highest mean of dividend payment and there is the largest mean of portion of cash outflow for extending their capacity by purchasing tangible asset and the biggest mean on size of asset. The finding is in accordance with Hei-Wai Lee and Jame A. Gentry (1995). Moreover, the bond issuing companies have better performance than the companies issuing convertible bonds since they can create higher cash inflow from their operations and they have higher level of remaining cash for other investment than the companies issuing common stocks have. However, there is no significant difference between mean of companies issuing convertible bonds and companies issuing stocks.

Analysis of change in cash flow performance.

Table II shows the change in cash flow performance in different types of financing before and after offering period of a company doing finance over 1998 - 2007. This test compares 4 different time horizons: (1) three years before offering and one year before offering, (2) two years before offering and one year before offering (3) one year before offering and one year after offering, and (4) one year before offering and two years after offering. This study uses one year before offering as indicator since a company generally uses the information of financial status of the year prior to the offering to make a decision regarding financing. This study excludes the offering year from the test because the performance represented by cash flow may face bias during the offering period. We apply the pair t-test to calculate a mean of each cashflow component in the year before and after issuing period and then compute the significance of different mean performance that presented in table II, III and IV.

[Table II is here]

From the table II, the empirical results shows that the companies issuing bonds had more significant difference of mean of each cashflow component from three year before offering and the year before offering. There were the decrease in financing (NFF), less ability to pay dividend (DIV), smaller portion for investment (NIF) in both extend the capacity and invest in securities and greater value of asset size. Moreover, the companies generate less cashflow from operating activities before the issuing period. Then after issuing year, they have greater percentage of cash outflow on dividend payment, fixed asset purchasing and their capacity improvement in generating higher cash inflow from operation. In prior offering period, the convertible bond issuing companies also had more significant different of mean of each cash flow component from three years before offering and one year before offering. The result shows likewise companies issuing bond pay less on dividend payment (DIV), decrease in percentage cash outflow to investment (FCE and NIF), finance (NFF) more and repay the short term debt with larger portion

in the previous issuing year. Comparing with the previous issuing year, the companies had ability to generate higher cash inflow from operating (NOF) but they borrow greater percentage of short term loan (STB). Lastly, the equity financing companies also pay fewer portions for dividend (DIV) and for fixed assets investing (NIF) but they had higher portion of cash outflow for repayment long term debt (FIND) in prior issuing year. While after issuing year, they were larger part of short term loan (STB) and current liabilities (NWC).

According to the empirical result on table II, we do not clarify about the firm's characteristics related to a financing type since the result was under the influence of the Asian crisis in 1997. Then, we separates the time horizon into two sub periods which are a firm financing from 1998 to 2002 and a firm financing from 2003 to 2007. This study subdivides into two interval times as a company financing from 1997 to 2002 and from 2003 to 2007 to test the change in cash flow component. The period of 1998 to 2002 represents the period after crisis when many companies refinanced or restructured their organization. Due to suddenly drop in interest rate, the companies can borrow at lower rate so they would refinance by issuing bonds or convertible bonds or the companies, that face serious liquidity problems, would restructure by issuing convertible bonds or common stock.

[Table III is here]

Refer to table III, it presents identity of an issuing firm financing from 1998 to 2002. The companies financing before the year 2003, financed for their debt repayment due to Asian Crisis in 1997. The finding shows that period the prior to the issuance of all three type of offering company had a smaller portion of cash outflow for dividend payment and a larger portion of cash outflow for debt repayment. In addition, the bond issuing companies had lower ability to generate cash from operations and both bond and convertible bond companies had lower level of cash outflow for investment. While after isuuing period, it was found that the bond issuing companies had higher ability to generate cash inflow from operating and paid a larger amount of dividend

and debt but gained less financing on short term debt. Because of economic slow down, they had a small part of cashflow for investment in financial instrument and real estate. Companies issuing convertible bonds can also obtain higher performance to generate cash infow from operation. They had higher ability to make a debt repayment and invest more on securities and real estate in two year after issuing period.. From the sample, the companies issued convertible bonds in this period for companies restructuring for example BH, BGH, Noble and MGR.

Lastly, companies issuing additional common stocks had higher financing from long term loan for repayment short term debt before the issuing period.

We can conclude that companies financing before the year 2003 tended to finance in order to make the repayment on the existing debt and to expand their firm. After economic turned down on 1997, the market interest rate dropped immediately and the companies could refinance at lower rate or many companies faced serious liquidity problems. The companies had restructured by issuing the additional common stocks, converting debt to equity or issuing the convertible bonds. Moreover, the companies issuing bonds and convertible bonds tended to be healtier than those offering stocks since after financing they were likely to have better performance and they have higher ability to repayment their debt than the period before issuing stocks.

[Table IV is here]

Table IV indicates the performance of the firms financing between 2003 and 2007. Bond issuing companies represent healthy companies due to their increased percentage of dividend payments in every year. After financing period, companies made more purchase of fixed assets to expand their capacity as they had more ability to generate cash inflow from operations. In addition, firms tend to finance by issuing straight debt from long term and short term rather than issuing equity. With respect to companies issuing convertible bonds, this test can not identify companies's characteristic because there is only 8 times that companies issue convertible bonds so

the sample is too small to test. For issuing stock compaies indicated the unhealthy companies because the companies invest more before issuing period but after issuing period their performace were drop both decrease in cashflow from operation and investment. They may face with investment missmatch or invest in risky project.

Logit and Probit Analysis

[Table V is here]

Table V shows the summary of statistics derived from the test on cash flow components in the year prior to the offering in order to measure the type of financing. There is negative relationship between fixed asset investment (FCE) and net financing (NFF) and positive relationship in long term debt financing (FIND) with bond issuing company or there is low investment in fixed asset and low level of total financing but high cash inflow from long term debt financing. With regard to issuing additional common stock, a company has positive cash flow from operation (NOF), more investment in both fixed asset (FCE) and other investments (NIF) and a larger portion of cash inflow from long term (FIND) and short term (STB) financing. We suggest an equity financing firm can generate cash inflow from operation in the period prior to the issuance. However, it is also financed more by both short and long term debt for investment and then issue equity in next period. This result is consistent with the missmatched investment theory which is a firm invests in the projects which cannot gain enough profits under the obligation. Leverage cap. Cash flow component is not significant enough to issue convertible bonds because the purpose of issuing convertible bonds in Thailand is to restructure not finance since convertible bonds are not well-known nor any Thailand's institutions can invest in a convertible bond market. We have evidence to support the findings since 24 convertible bonds were issued after the crisis in 1998 to 2002 while only 9 convertible bonds were issued in 2003 to 2007.

Conclusion

This study shows the relationship between company's cash flow components representing its financial health and a type of company which choose its financing. The finding shows that bond issuance method is selected by a good health company while an unhealthy company decides to issue additional common stocks and convertible bond is used for companies restructuring in Thailand. The result also supports that a bond issuing company represents a healthy company because it can generate the high cash inflow from its operations (NOF), dividend payments (DIV), low debt to equity ratio (D/E) and investment in fixed assets(FCE) and the largest size (Table I). In addition, a bond issuing company tends to enhance its performance over times both before and after financing period (Table III). While a company which issues additional common stocks represents an unhealthy company because it has uncertain cash flow (Table IV) in the period prior to financing. A company also cannot develop its performance after financing period. According to the empirical result, a company which issues additional common stocks has the high debt to equity ratio (Table I). Moreover, companies had increasing on dividend payment (DIV), investment (NIF), net operating flow (NOF) and short term debt (STB) but after that the companies performance was drop due to the decrease in cash inflow from operation (NOF), investment (NIF) and dividend payment (DIV) (Table IV). In addition, the logit and probit model shows the probability of positive cash inflow from operations; both short and long term debt for invest in tangible asset of a company. We will conclude that a stock issuing company has probability to increase external debt (FIND) (Table V), unstable of future cash inflow (Table IV) that due to it invests in risky projects and makes mismatch investments that cannot meet the obligations. Thus, it issues stock to redeem its debt. This study cannot clarify the characteristics of a company issuing convertible bonds from the test due to the small sample size but we can conclude from data. Almost issuing convertible bonds companies issuing after crisis (24 out of 33 times) during 1997 – 2002 in purpose of companies restructuring. Although the relationship between cashflow components and the type of financing is not significant from the logit and

probit test in tableV but trend of coefficient indicate growth company because they have a probability to invest more on fixed asset (FCE) and other investment (NIF) before offering period but they can not generate positive cash inflow (NOF) but after that they have more ability to generate cashflow from operation (Table II) because of increase in NOF and decrease of long term debt (FIND) and debt to equity ratio was decreased due to bondholder excerise their right.

From subdivide period of financing, we can imply the property of financing in the period after crisis in 1998 - 2002. All three types of financing will be issued for repayment on the existing debt. A company issuing bonds is considered a healthy company because after financing period it can generate higher cash inflow from opertion (NOF) than the period prior to financing (Table III). Nevertheless, we cannot identify the financial health of a company issuing convertible bonds due to few sample size. There are only 33 times of convertible bond issuance and most of them (24 out of 33 times) are made during 1997 – 2002. Common stock also identify unhealthy because they increasing long term debt for repayment short term debt (STB) in before offering period but after that their performance (NOF) still continue decrease.

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Appendix I

Summary of test statistic from table I to V represent the conclusion result of Paired t-test and compared Logit and Probit Model

Table 1

The Conclusion of Paired t-test analysis

According to the model will be apply for comparing between mean of each cashflow component across each type of financing company in the year issuing period. SD represent straight debt, CB is convertible bonds while CS means common stock issuing. In sub-column of different in mean idicate the different in mean cashflow component between two type of financing is significant or not.

	Mean		Mean(CB) - Mean(SD)		
	SD	CB	Ha: diff < 0	Ha: diff = 0	Ha: diff > 0
DIV	-0.0194	-0.0073	0.9682	0.0636	0.0318**
FCE	-0.0647	-0.0299	0.9477	0.1047	0.0523*
FIND	0.0109	0.0076	0.4506	0.9012	0.5494
FINE	0.0072	0.0084	0.5779	0.8441	0.4221
NFF	0.0142	-0.0175	0.1313	0.2625	0.8687
NIF	-0.0173	-0.0037	0.8032	0.3936	0.1968
NOF	0.0791	0.0058	0.0056***	0.0112	0.9944
NWC	-0.0154	0.0325	0.9943	0.0114	0.0057***
STB	-0.0086	-0.0218	0.2141	0.4282	0.7859
Asset Log	4.3793	3.8888	0.0009***	0.0018	0.9991
DE	4.0610	5.9759	0.889	0.2219	0.111

	Mean		Mean(CS) - Mean(SD)		
	SD	CS	Ha: diff < 0	Ha: diff = 0	Ha: diff > 0
DIV	-0.0194	-0.0101	0.9938	0.0125	0.0062***
FCE	-0.0647	-0.0319	0.9993	0.0013	0.0007***
FIND	0.0109	0.0150	0.5575	0.8850	0.4425
FINE	0.0072	0.0125	0.8544	0.2912	0.1456
NFF	0.0142	0.0177	0.5547	0.8905	0.4453
NIF	-0.0173	-0.0024	0.9543	0.0913	0.0457**
NOF	0.0791	0.0711	0.4344	0.8688	0.5656
NWC	-0.0154	0.0166	0.9058	0.1885	0.0942*
STB	-0.0086	-0.0185	0.2323	0.4645	0.7677
Asset Log	4.3793	3.7869	0.0000***	0.0000	1.0000
DE	4.0610	5.9424	0.9822	0.0355	0.0178**

	Mean		Mean(CS) - Mean(CB)		
	CB	CS	Ha: diff < 0	Ha: diff = 0	Ha: diff > 0
DIV	-0.0073	-0.0101	0.6625	0.6751	0.3375
FCE	-0.0299	-0.0319	0.5621	0.8759	0.4379
FIND	0.0076	0.0150	0.4555	0.9109	0.5445
FINE	0.0084	0.0125	0.3644	0.7288	0.6356
NFF	-0.0175	0.0177	0.2700	0.5400	0.7300
NIF	-0.0037	-0.0024	0.4656	0.9313	0.5344
NOF	0.0058	0.0711	0.2886	0.5772	0.7114
NWC	0.0325	0.0166	0.6094	0.7812	0.3906
STB	-0.0218	-0.0185	0.4567	0.9135	0.5433
Asset Log	3.8888	3.7869	0.7075	0.5850	0.2925
DE	5.9759	5.9424	0.5065	0.9870	0.4935

The stars next to the coefficient represent level of significant of 0.1(*), 0.05(**), and 0.01(***).

Table II – VI

The Paired t-test analysis is defined the change in performance of issuing companies by compairing mean of each cashflow component in 2 sub-period before isuuing as comparing between mean of one year before offering (-1) minus three year before offering (-3) and one year before offering (-1) minus two year before offering (-2) and 2 sub-period after issuing as one year before offering (-1) minus two year after offering (+2) and one year before offering (-1) minus one year after offering (+1). Moreover, this study divide period of issuing for 1 overall and 2 sub-period. Overall period of test is the year 1998 – 2007 (Table II)and we classify in to two sub-period that firm fiancing between 1998 – 2002 (Table III) represent crisis affect period and 2003 – 2007 (Table IV) indicate normal period.

Table II (1998 – 2007 presented Overall period)

Pair t-test analysis compare mean of each cashflow component between before and after financing period

Relative cash flow component	Mean **t = (-1)**	Mean **t = (-3)**	Mean(-1) - Mean(-3) Pr(T>t) diff<0	diff = 0	diff > 0	Mean **t = (-1)**	Mean **t = (+2)**	Mean(-1) - Mean(+2) Pr(T>t) diff<0	diff = 0	diff > 0
A. Straight Debt Offering Companies										
Dividend Payment (DIV)	-0.0194	-0.0632	0.9569	0.0863	0.0431**	-0.0194	-0.0389	0.9571	0.0857	0.0429**
Fixed Coverage Expenditure (FCE)	-0.0647	-0.3161	0.9205	0.1590	0.0795*	-0.0647	-0.1000	0.9274	0.1452	0.0726*
Debt Financing Flow (FIND)	0.0109	-0.0092	0.6001	0.7998	0.3999	0.0109	0.0137	0.4491	0.8982	0.5509
Equity Financing Flow (FINE)	0.0072	0.0231	0.1088	0.2175	0.8912	0.0072	0.0004	0.8705	0.2590	0.1295
Net Financing Flow (NFF)	0.0142	0.2705	0.0903*	0.1807	0.9097	0.0142	0.0046	0.7047	0.5905	0.2953
Net Investment Flow (NIF)	-0.0173	-0.1871	0.9248	0.1503	0.0752*	-0.0173	-0.0034	0.0427**	0.0854	0.9573
Net Operating Flow (NOF)	0.0791	0.2896	0.0350**	0.0700	0.9650	0.0791	0.1485	0.0327**	0.0655	0.9673
Net Working Capital Fow (NWC)	-0.0154	-0.0161	0.5044	0.9911	0.4956	-0.0154	-0.0370	0.9183	0.1635	0.0817*
Short Term Borrowing (STB)	-0.0086	0.1304	0.1418	0.2836	0.8582	-0.0086	0.0083	0.0384**	0.0768	0.9616
Net Cash Flow (NCF)	-0.0318	0.0736	0.1869	0.3737	0.8131	-0.0318	-0.0556	0.9267	0.1467	0.0733*
Asset (Size)	4.3793	4.2101	0.9745	0.0510	0.0255**	4.3793	4.3941	0.4338	0.8676	0.5662
Debt to Equity Ratios (D/E)	4.0610	4.6335	0.2752	0.5505	0.7248	4.0610	3.7290	0.6746	0.6508	0.3254

Relative cash flow component	Mean t = (-1)	Mean t = (-3)	Mean(-1) - Mean(-3) Pr(T>t) diff<0	diff = 0	diff > 0	Mean t = (-1)	Mean t = (+2)	Mean(-1) - Mean(+2) Pr(T>t) diff<0	diff = 0	diff > 0
B. Convertible bond Offering Companies										
Dividend Payment (DIV)	-0.0073	-0.0238	0.9467	0.1066	0.0533*	-0.0073	-0.0118	0.7943	0.4114	0.2057
Fixed Coverage Expenditure (FCE)	-0.0299	-0.0942	0.9406	0.1188	0.0594*	-0.0299	-0.0288	0.4714	0.9429	0.5286
Debt Financing Flow (FIND)	0.0076	-0.0326	0.8682	0.2637	0.1318	0.0076	-0.0213	0.8186	0.3628	0.1814
Equity Financing Flow (FINE)	0.0084	0.0059	0.5937	0.8126	0.4063	0.0084	0.0043	0.6656	0.6689	0.3344
Net Financing Flow (NFF)	-0.0175	0.1505	0.0460**	0.0920	0.9540	-0.0175	0.0146	0.1906	0.3811	0.8094
Net Investment Flow (NIF)	-0.0037	-0.0491	0.9204	0.1591	0.0796*	-0.0037	-0.0195	0.8540	0.2920	0.1460
Net Operating Flow (NOF)	0.0058	0.0359	0.2781	0.5561	0.7219	0.0058	0.0509	0.0945*	0.1890	0.9055
Net Working Capital Fow (NWC)	0.0325	-0.0719	0.9475	0.1049	0.0525*	0.0325	-0.0256	0.9937	0.0127	0.0063***
Short Term Borrowing (STB)	-0.0218	0.1408	0.0575*	0.1151	0.9425	-0.0218	0.0174	0.0246**	0.0492	0.9754
Net Cash Flow (NCF)	-0.0048	-0.0474	0.9885	0.0231	0.0115**	-0.0048	-0.0206	0.8311	0.3378	0.1689
Asset (Size)	3.8888	3.8110	0.6601	0.6797	0.3399	3.8888	3.8877	0.5025	0.9951	0.4975
Debt to Equity Ratios (D/E)	5.9759	6.5165	0.4228	0.8457	0.5772	5.9759	3.1444	0.9024	0.1951	0.0976*
C. Common Stock Offering Companies										
Dividend Payment (DIV)	-0.0103	-0.0272	0.9663	0.0673	0.0337**	-0.0103	-0.0113	0.6181	0.7638	0.3819
Fixed Coverage Expenditure (FCE)	-0.0325	-0.1572	0.9038	0.1924	0.0962*	-0.0325	-0.0354	0.6660	0.6680	0.3340
Debt Financing Flow (FIND)	0.0154	-0.1387	0.9605	0.0791	0.0395**	0.0154	-0.0105	0.8110	0.3780	0.1890
Equity Financing Flow (FINE)	0.0129	0.0127	0.5086	0.9829	0.4914	0.0129	0.0064	0.8664	0.2672	0.1336
Net Financing Flow (NFF)	0.0174	0.1976	0.0171**	0.0343	0.9829	0.0174	0.0281	0.3424	0.6848	0.6576
Net Investment Flow (NIF)	-0.0024	0.0284	0.2666	0.5331	0.7334	-0.0024	-0.0076	0.7412	0.5176	0.2588
Net Operating Flow (NOF)	0.0733	0.0390	0.6760	0.6480	0.3240	0.0733	0.0611	0.5947	0.8106	0.4053
Net Working Capital Fow (NWC)	0.0172	0.0061	0.6229	0.7542	0.3771	0.0172	-0.0327	0.9741	0.0518	0.0259**
Short Term Borrowing (STB)	-0.0189	0.0050	0.2092	0.4183	0.7908	-0.0189	0.0054	0.0355**	0.0710	0.9645
Net Cash Flow (NCF)	-0.0299	-0.0443	0.6745	0.6510	0.3255	-0.0299	-0.0225	0.3624	0.7248	0.6376
Asset (Size)	3.8093	3.7322	0.7754	0.4492	0.2246	3.8093	3.9302	0.1186	0.2372	0.8814
Debt to Equity Ratios (D/E)	6.1316	8.3526	0.1193	0.2385	0.8807	6.1316	4.7774	0.8960	0.2080	0.1040

The stars next to the coefficient represent level of significant of 0.1(*), 0.05(**), and 0.01(***).

Table II (Continued)

Pair t-test analysis compare mean of each cashflow component between before and after financing period

Relative cash flow component	Mean **t = (-1)**	Mean **t = (-2)**	Mean(-1) - Mean(-2) Pr(T>t) diff<0	diff = 0	diff > 0	Mean **t = (-1)**	Mean **t = (+1)**	Mean(-1) - Men(+1) Pr(T>t) diff<0	diff = 0	diff > 0
A. Straight Debt Offering Companies										
Dividend Payment (DIV)	-0.0194	-0.0208	0.6150	0.7701	0.3850	-0.0194	-0.0484	0.9281	0.1437	0.0719*
Fixed Coverage Expenditure (FCE)	-0.0647	-0.0669	0.5789	0.8423	0.4211	-0.0647	-0.2054	0.9114	0.1772	0.0886*
Debt Financing Flow (FIND)	0.0109	-0.0094	0.8767	0.2467	0.1233	0.0109	0.1056	0.1604	0.3209	0.8396
Equity Financing Flow (FINE)	0.0072	0.0044	0.8635	0.2730	0.1365	0.0072	0.0035	0.7340	0.5321	0.2660
Net Financing Flow (NFF)	0.0142	0.0342	0.1278	0.2556	0.8722	0.0142	0.1168	0.0784*	0.1567	0.9216
Net Investment Flow (NIF)	-0.0173	-0.0210	0.6476	0.7049	0.3524	-0.0173	-0.0168	0.4839	0.9678	0.5161
Net Operating Flow (NOF)	0.0791	0.0763	0.5749	0.8502	0.4251	0.0791	0.2198	0.0130**	0.0259	0.9870
Net Working Capital Fow (NWC)	-0.0154	-0.0125	0.4139	0.8277	0.5861	-0.0154	-0.0554	0.9752	0.0496	0.0248**
Short Term Borrowing (STB)	-0.0086	0.0042	0.1025	0.2049	0.8975	-0.0086	0.0088	0.0225**	0.0450	0.9775
Net Cash Flow (NCF)	-0.0318	-0.0265	0.2602	0.5205	0.7398	-0.0318	-0.1567	0.9038	0.1924	0.0962*
Asset (Size)	4.3793	4.3349	0.7025	0.5950	0.2975	4.3793	4.3914	0.4447	0.8894	0.5553
Debt to Equity Ratios (D/E)	4.0610	4.6047	0.2290	0.4579	0.7710	4.0610	3.7273	0.6826	0.6347	0.3174
B. Convertible bond Offering Companies										
Dividend Payment (DIV)	-0.0073	-0.0567	0.8250	0.3499	0.1750	-0.0073	-0.0058	0.3642	0.7285	0.6358
Fixed Coverage Expenditure (FCE)	-0.0299	-0.0401	0.7104	0.5792	0.2896	-0.0299	-0.0281	0.4491	0.8982	0.5509
Debt Financing Flow (FIND)	0.0076	-0.0110	0.7825	0.4351	0.2175	0.0076	-0.0481	0.9872	0.0256	0.0128**
Equity Financing Flow (FINE)	0.0084	0.0288	0.2025	0.4051	0.7975	0.0084	0.0000	0.8288	0.3425	0.1712
Net Financing Flow (NFF)	-0.0175	0.0510	0.1018	0.2035	0.8982	-0.0175	-0.0004	0.2863	0.5727	0.5727
Net Investment Flow (NIF)	-0.0037	-0.0124	0.7171	0.5657	0.2829	-0.0037	-0.0072	0.5772	0.8455	0.4228
Net Operating Flow (NOF)	0.0058	-0.0009	0.5455	0.9089	0.4545	0.0058	0.0543	0.0640*	0.1281	0.9360
Net Working Capital Fow (NWC)	0.0325	-0.0490	0.8481	0.3039	0.1519	0.0325	0.0186	0.8139	0.3722	0.1861
Short Term Borrowing (STB)	-0.0218	0.0440	0.0874*	0.1748	0.9126	-0.0218	0.0072	0.0667*	0.1333	0.9333
Net Cash Flow (NCF)	-0.0048	-0.1626	0.8548	0.2905	0.1452	-0.0048	0.0019	0.3106	0.6213	0.6894
Asset (Size)	3.8888	3.9274	0.4180	0.8360	0.5820	3.8888	3.8548	0.5718	0.8565	0.4282
Debt to Equity Ratios (D/E)	5.9759	8.5281	0.2174	0.4349	0.7826	5.9759	4.0424	0.7958	0.4084	0.2042

Relative cash flow component	Mean t = (-1)	Mean t = (-2)	Mean(-1) - Mean(-2) Pr(T>t) diff<0	diff = 0	diff > 0	Mean t = (-1)	Mean t = (+1)	Mean(-1) - Men(+1) Pr(T>t) diff<0	diff = 0	diff > 0
C. Common Stock Offering Companies										
Dividend Payment (DIV)	-0.0103	-0.0213	0.9249	0.1502	0.0751*	-0.0103	-0.0101	0.4763	0.9525	0.5237
Fixed Coverage Expenditure (FCE)	-0.0325	-0.0406	0.8174	0.3653	0.1826	-0.0325	-0.0405	0.8506	0.2989	0.1494
Debt Financing Flow (FIND)	0.0154	-0.0368	0.7921	0.4158	0.2079	0.0154	-0.0110	0.8174	0.3652	0.1826
Equity Financing Flow (FINE)	0.0129	0.0099	0.6756	0.6488	0.3244	0.0129	0.0132	0.4781	0.9561	0.5219
Net Financing Flow (NFF)	0.0174	0.0517	0.2873	0.5747	0.7127	0.0174	0.0286	0.3355	0.6709	0.6645
Net Investment Flow (NIF)	-0.0024	0.0035	0.3431	0.6862	0.6569	-0.0024	-0.0086	0.7723	0.4555	0.2277
Net Operating Flow (NOF)	0.0733	0.0395	0.7072	0.5856	0.2928	0.0733	0.0548	0.6429	0.7142	0.3571
Net Working Capital Fow (NWC)	0.0172	0.0183	0.4860	0.9720	0.5140	0.0172	-0.0229	0.9444	0.1112	0.0556*
Short Term Borrowing (STB)	-0.0189	-0.0324	0.7387	0.5226	0.2613	-0.0189	0.0135	0.0088***	0.0176	0.9912
Net Cash Flow (NCF)	-0.0299	-0.0215	0.3917	0.7835	0.6083	-0.0299	-0.0177	0.2825	0.5649	0.7175
Asset (Size)	3.8093	3.7680	0.6522	0.6955	0.3478	3.8093	3.8952	0.2019	0.4037	0.7981
Debt to Equity Ratios (D/E)	6.1316	10.0751	0.0389**	0.0777	0.9611	6.1316	4.5505	0.9338	0.1325	0.0662*

The stars next to the coefficient represent level of significant of 0.1(*), 0.05(**), and 0.01(***).

Table III (1998 – 2002 presented crisis affect period)

Pair t-test analysis compare mean of each cashflow component between before and after financing period

Relative cash flow component	Mean **t = (-1)**	Mean **t = (-3)**	Mean(-1) - Mean(-3) Pr(T>t) diff<0	diff = 0	diff > 0	Mean **t = (-1)**	Mean **t = (+2)**	Mean(-1) - Mean(+2) Pr(T>t) diff<0	diff = 0	diff > 0
A. Straight Debt Offering Companies										
Dividend Payment (DIV)	-0.0083	-0.1093	0.9720	0.0560	0.0280**	-0.0083	-0.0161	0.9660	0.0681	0.0340
Fixed Coverage Expenditure (FCE)	-0.0453	-0.5393	0.9082	0.1836	0.0918*	-0.0453	-0.0561	0.7411	0.5179	0.2589
Debt Financing Flow (FIND)	0.0175	-0.0020	0.5471	0.9057	0.4529	0.0175	-0.0122	0.9241	0.1518	0.0759
Equity Financing Flow (FINE)	0.0080	0.0422	0.1004	0.2007	0.8996	0.0080	0.0051	0.7687	0.4627	0.2313
Net Financing Flow (NFF)	-0.0006	0.5083	0.1007	0.2013	0.8993	-0.0006	-0.0121	0.7149	0.5702	0.2851
Net Investment Flow (NIF)	-0.0222	-0.3583	0.9143	0.1714	0.0857*	-0.0222	-0.0033	0.0689*	0.1377	0.9311
Net Operating Flow (NOF)	0.0348	0.4565	0.0401**	0.0801	0.9599	0.0348	0.0895	0.0091***	0.0183	0.9909
Net Working Capital Fow (NWC)	0.0090	-0.0072	0.5480	0.9041	0.4520	0.0090	-0.0098	0.9703	0.0594	0.0297
Short Term Borrowing (STB)	-0.0283	0.2582	0.1453	0.2907	0.8547	-0.0283	-0.0016	0.0144**	0.0288	0.9856
Net Cash Flow (NCF)	-0.0110	0.1797	0.2208	0.4416	0.7792	-0.0110	-0.0182	0.7697	0.4606	0.2303
Asset (Size)	4.2415	4.0644	0.9206	0.1588	0.0794*	4.2415	4.2718	0.4045	0.8090	0.5955
Debt to Equity Ratios (D/E)	5.5664	5.4757	0.5195	0.9610	0.4805	5.5664	4.5340	0.7874	0.4253	0.2126
B. Convertible bond Offering Companies										
Dividend Payment (DIV)	-0.0047	-0.0186	0.9445	0.1111	0.0555*	-0.0047	-0.0117	0.8381	0.3239	0.1619
Fixed Coverage Expenditure (FCE)	-0.0168	-0.0991	0.9333	0.1334	0.0667*	-0.0168	-0.0199	0.5845	0.8309	0.4155
Debt Financing Flow (FIND)	0.0018	-0.0333	0.7836	0.4328	0.2164	0.0018	-0.0245	0.7560	0.4879	0.2440
Equity Financing Flow (FINE)	0.0018	0.0084	0.2231	0.4461	0.7769	0.0018	0.0008	0.6909	0.6182	0.3091
Net Financing Flow (NFF)	-0.0529	0.2151	0.0275**	0.0551	0.9725	-0.0529	0.0155	0.0712*	0.1423	0.9288
Net Investment Flow (NIF)	0.0133	-0.0623	0.9531	0.0937	0.0469**	0.0133	-0.0199	0.9624	0.0752	0.0376**
Net Operating Flow (NOF)	-0.0373	-0.0187	0.3760	0.7519	0.6240	-0.0373	0.0469	0.0245**	0.0490	0.9755
Net Working Capital Fow (NWC)	0.0532	-0.1095	0.9632	0.0735	0.0368**	0.0532	-0.0319	0.9972	0.0056	0.0028***
Short Term Borrowing (STB)	-0.0308	0.1818	0.0741*	0.1481	0.9259	-0.0308	0.0206	0.0311	0.0621	0.9689
Net Cash Flow (NCF)	0.0026	-0.0349	0.9890	0.0219	0.0110**	0.0026	-0.0130	0.8061	0.3879	0.1939
Asset (Size)	3.8792	3.8263	0.5863	0.8273	0.4137	3.8792	3.8603	0.5318	0.9364	0.4682
Debt to Equity Ratios (D/E)	7.2065	7.3416	0.4862	0.9724	0.5138	7.2065	3.8669	0.8649	0.2703	0.1351

Relative cash flow component	Mean **t = (-1)**	Mean **t = (-3)**	Mean(-1) - Mean(-3) Pr(T>t) diff<0	diff = 0	diff > 0	Mean **t = (-1)**	Mean **t = (+2)**	Mean(-1) - Mean(+2) Pr(T>t) diff<0	diff = 0	diff > 0
C. Common Stock Offering Companies										
Dividend Payment (DIV)	-0.0055	-0.0385	0.9907	0.0187	0.0093***	-0.0055	-0.0079	0.7658	0.4683	0.2342
Fixed Coverage Expenditure (FCE)	-0.0244	-0.2123	0.8953	0.2095	0.1047	-0.0244	-0.0320	0.8508	0.2984	0.1492
Debt Financing Flow (FIND)	0.0385	-0.2370	0.9827	0.0345	0.0173**	0.0385	-0.0115	0.8671	0.2657	0.1329
Equity Financing Flow (FINE)	0.0061	0.0154	0.1309	0.2618	0.8691	0.0061	0.0081	0.3641	0.7281	0.6359
Net Financing Flow (NFF)	0.0090	0.2870	0.0156**	0.0311	0.9844	0.0090	0.0347	0.2538	0.5075	0.7462
Net Investment Flow (NIF)	0.0045	0.0401	0.3237	0.6474	0.6763	0.0045	-0.0117	0.9324	0.1352	0.0676*
Net Operating Flow (NOF)	-0.0001	0.0383	0.3637	0.7275	0.6363	-0.0001	0.0614	0.1903	0.3806	0.8097
Net Working Capital Fow (NWC)	0.0279	0.0153	0.6089	0.7823	0.3911	0.0279	-0.0288	0.9306	0.1389	0.0694*
Short Term Borrowing (STB)	-0.0352	0.0359	0.0509*	0.1019	0.9491	-0.0352	0.0037	0.0253**	0.0506	0.9747
Net Cash Flow (NCF)	-0.0274	-0.0285	0.5104	0.9792	0.4896	-0.0274	-0.0210	0.4207	0.8413	0.5793
Asset (Size)	3.8665	3.7684	0.7917	0.4166	0.2083	3.8665	3.9095	0.3671	0.7342	0.6329
Debt to Equity Ratios (D/E)	7.5089	9.1654	0.2730	0.5459	0.7270	7.5089	6.2590	0.7831	0.4338	0.2169

The stars next to the coefficient represent level of significant of 0.1(*), 0.05(**), and 0.01(***).

Table III (Continued)

Pair t-test analysis compare mean of each cashflow component between before and after financing period

Relative cash flow component	Mean **t = (-1)**	Mean **t = (-2)**	Mean(-1) - Mean(-2) Pr(T>t) diff<0	diff = 0	diff > 0	Mean **t = (-1)**	Mean **t = (+1)**	Mean(-1) – Men(+1) Pr(T>t) diff<0	diff = 0	diff > 0
A. Straight Debt Offering Companies										
Dividend Payment (DIV)	-0.0083	-0.0180	0.8909	0.2182	0.1091	-0.0083	-0.0113	0.7847	0.4306	0.2153
Fixed Coverage Expenditure (FCE)	-0.0453	-0.0588	0.8202	0.3596	0.1798	-0.0453	-0.0666	0.8831	0.2339	0.1169
Debt Financing Flow (FIND)	0.0175	0.0059	0.6527	0.6947	0.3473	0.0175	-0.0437	0.9525	0.0951	0.0475**
Equity Financing Flow (FINE)	0.0080	0.0042	0.8047	0.3907	0.1953	0.0080	0.0080	0.5008	0.9983	0.4992
Net Financing Flow (NFF)	-0.0006	0.0318	0.1236	0.2473	0.8764	-0.0006	0.0246	0.1935	0.3870	0.8065
Net Investment Flow (NIF)	-0.0222	-0.0209	0.4706	0.9412	0.5294	-0.0222	-0.0064	0.1753	0.3506	0.8247
Net Operating Flow (NOF)	0.0348	0.0316	0.5472	0.9056	0.4528	0.0348	0.1532	0.0216**	0.0433	0.9784
Net Working Capital Fow (NWC)	0.0090	0.0008	0.6357	0.7285	0.3643	0.0090	-0.0082	0.9649	0.0703	0.0351**
Short Term Borrowing (STB)	-0.0283	-0.0117	0.1358	0.2715	0.8642	-0.0283	-0.0033	0.0278**	0.0557	0.9722
Net Cash Flow (NCF)	-0.0110	-0.0160	0.6649	0.6702	0.3351	-0.0110	-0.0235	0.8812	0.2375	0.1188
Asset (Size)	4.2415	4.2191	0.5725	0.8550	0.4275	4.2415	4.2326	0.5279	0.9443	0.4721
Debt to Equity Ratios (D/E)	5.5664	6.0250	0.3672	0.7343	0.6328	5.5664	5.0087	0.6621	0.6758	0.3379
B. Convertible bond Offering Companies										
Dividend Payment (DIV)	-0.0047	-0.0734	0.8202	0.3597	0.1798	-0.0047	-0.0038	0.4227	0.8455	0.5773
Fixed Coverage Expenditure (FCE)	-0.0168	-0.0379	0.8243	0.3514	0.1757	0.0168	-0.0137	0.3731	0.7462	0.6269
Debt Financing Flow (FIND)	0.0018	-0.0228	0.8475	0.3051	0.1525	0.0018	-0.0514	0.9802	0.0395	0.0198**
Equity Financing Flow (FINE)	0.0018	0.0309	0.1827	0.3655	0.8173	0.0018	0.0000	0.8380	0.3240	0.1620
Net Financing Flow (NFF)	-0.0529	0.0685	0.0483**	0.0965	0.9517	-0.0529	0.0003	0.0693*	0.1387	0.9307
Net Investment Flow (NIF)	0.0133	-0.0094	0.8854	0.2291	0.1146	0.0133	-0.0140	0.8894	0.2213	0.1106
Net Operating Flow (NOF)	-0.0373	-0.0331	0.4783	0.9566	0.5217	-0.0373	0.0555	0.0084***	0.0168	0.9916
Net Working Capital Fow (NWC)	0.0532	-0.0597	0.8427	0.3146	0.1573	0.0532	0.0119	0.9908	0.0183	0.0092***
Short Term Borrowing (STB)	-0.0308	0.0705	0.0657*	0.1315	0.9343	-0.0308	0.0097	0.0657*	0.1314	0.9343
Net Cash Flow (NCF)	0.0026	-0.2105	0.8429	0.3142	0.1571	0.0026	-0.0034	0.6615	0.6770	0.3385
Asset (Size)	3.8792	3.9601	0.3659	0.7318	0.6341	3.8792	3.8188	0.6004	0.7991	0.3996
Debt to Equity Ratios (D/E)	7.2065	11.0279	0.1958	0.3916	0.8042	7.2065	4.9625	0.7567	0.4866	0.2433

Relative cash flow component	Mean **t = (-1)**	Mean **t = (-2)**	Mean(-1) - Mean(-2) Pr(T>t) diff<0	diff = 0	diff > 0	Mean **t = (-1)**	Mean **t = (+1)**	Mean(-1) – Men(+1) Pr(T>t) diff<0	diff = 0	diff > 0
C. Common Stock Offering Companies										
Dividend Payment (DIV)	-0.0055	-0.0256	0.9624	0.0751	0.0376**	-0.0055	-0.0049	0.4214	0.8428	0.5786
Fixed Coverage Expenditure (FCE)	-0.0244	-0.0378	0.8928	0.2144	0.1072	-0.0244	-0.0320	0.8248	0.3504	0.1752
Debt Financing Flow (FIND)	0.0385	-0.0958	0.9288	0.1425	0.0712*	0.0385	-0.0081	0.8514	0.2972	0.1486
Equity Financing Flow (FINE)	0.0061	0.0130	0.1734	0.3468	0.8266	0.0061	0.0096	0.2660	0.5320	0.7340
Net Financing Flow (NFF)	0.0090	0.0645	0.2687	0.5374	0.7313	0.0090	0.0303	0.2921	0.5842	0.7079
Net Investment Flow (NIF)	0.0045	0.0062	0.4689	0.9378	0.5311	0.0045	-0.0036	0.7663	0.4673	0.2337
Net Operating Flow (NOF)	-0.0001	-0.0366	0.6773	0.6454	0.3227	-0.0001	0.0465	0.2524	0.5047	0.7476
Net Working Capital Fow (NWC)	0.0279	0.0569	0.2413	0.4826	0.7587	0.0279	-0.0184	0.8870	0.2259	0.1130
Short Term Borrowing (STB)	-0.0352	-0.0379	0.5354	0.9292	0.4646	-0.0352	0.0095	0.0139**	0.0278	0.9861
Net Cash Flow (NCF)	-0.0274	-0.0019	0.2294	0.4587	0.7706	-0.0274	-0.0074	0.2656	0.5312	0.7344
Asset (Size)	3.8665	3.8329	0.6044	0.7913	0.3956	3.8665	3.8668	0.4990	0.9980	0.5010
Debt to Equity Ratios (D/E)	7.5089	12.2647	0.0850*	0.1699	0.9150	7.5089	5.9240	0.8422	0.3157	0.1578

The stars next to the coefficient represent level of significant of 0.1(*), 0.05(**), and 0.01(***).

Table VI (2003 – 2007 presented normal period)

Pair t-test analysis compare mean of each cashflow component between before and after financing period

Relative cash flow component	0 Mean **t = (-1)**	1 Mean **t = (-3)**	Mean(-1) - Mean(-3) Pr(T>t) diff<0	diff = 0	diff > 0	0 Mean **t = (-1)**	1 Mean **t = (+2)**	Mean(-1) - Mean(+2) Pr(T>t) diff<0	diff = 0	diff > 0
A. Straight Debt Offering Companies										
Dividend Payment (DIV)	-0.0296	-0.0203	0.0282**	0.0565	0.9718	-0.0296	-0.0698	0.9588	0.0825	0.0412**
Fixed Coverage Expenditure (FCE)	-0.0822	-0.1088	0.7796	0.4407	0.2204	-0.0822	-0.1596	0.9483	0.1034	0.0517*
Debt Financing Flow (FIND)	0.0049	-0.0160	0.8137	0.3726	0.1863	0.0049	0.0487	0.1377	0.2753	0.8623
Equity Financing Flow (FINE)	0.0065	0.0054	0.6480	0.7040	0.3520	0.0065	-0.0060	0.8489	0.3022	0.1511
Net Financing Flow (NFF)	0.0277	0.0494	0.2768	0.5536	0.7232	0.0277	0.0272	0.5069	0.9861	0.4931
Net Investment Flow (NIF)	-0.0129	-0.0279	0.8096	0.3809	0.1904	-0.0129	-0.0036	0.1709	0.3419	0.8291
Net Operating Flow (NOF)	0.1194	0.1345	0.2830	0.5660	0.7170	0.1194	0.2285	0.0723*	0.1446	0.9277
Net Working Capital Fow (NWC)	-0.0375	-0.0244	0.2185	0.4370	0.7815	-0.0375	-0.0739	0.8843	0.2315	0.1157
Short Term Borrowing (STB)	0.0094	0.0116	0.4064	0.8128	0.5936	0.0094	0.0217	0.1996	0.3992	0.8004
Net Cash Flow (NCF)	-0.0507	-0.0250	0.0113**	0.0225	0.9887	-0.0507	-0.1063	0.9576	0.0847	0.0424**
Asset (Size)	4.5043	4.3455	0.9124	0.1752	0.0876*	4.5043	4.5599	0.3249	0.6497	0.6751
Debt to Equity Ratios (D/E)	2.7481	3.8624	0.0602*	0.1204	0.9398	2.7481	2.7057	0.5280	0.9440	0.4720
B. Convertible bond Offering Companies										
Dividend Payment (DIV)	-0.0133	-0.0361	0.7849	0.4303	0.2151	-0.0133	-0.0120	0.4399	0.8797	0.5601
Fixed Coverage Expenditure (FCE)	-0.0610	-0.0826	0.6542	0.6916	0.3458	-0.0610	-0.0529	0.4066	0.8132	0.5934
Debt Financing Flow (FIND)	0.0214	-0.0309	0.7928	0.4144	0.2072	0.0214	-0.0128	0.7043	0.5914	0.2957
Equity Financing Flow (FINE)	0.0242	0.0000	0.7880	0.4241	0.2120	0.0242	0.0139	0.6164	0.7672	0.3836
Net Financing Flow (NFF)	0.0666	-0.0029	0.9172	0.1657	0.0828*	0.0666	0.0123	0.8724	0.2552	0.1276
Net Investment Flow (NIF)	-0.0442	-0.0179	0.0905*	0.1810	0.9095	-0.0442	-0.0186	0.0998*	0.1997	0.9002
Net Operating Flow (NOF)	0.1079	0.1656	0.2382	0.4764	0.7618	0.1079	0.0619	0.8690	0.2621	0.1310
Net Working Capital Fow (NWC)	-0.0166	0.0176	0.0654*	0.1308	0.9346	-0.0166	-0.0086	0.3704	0.7407	0.6296
Short Term Borrowing (STB)	-0.0005	0.0434	0.0543*	0.1086	0.9457	-0.0005	0.0088	0.2221	0.4441	0.7779
Net Cash Flow (NCF)	-0.0224	-0.0772	0.8581	0.2838	0.1419	-0.0224	-0.0414	0.6945	0.6111	0.3055
Asset (Size)	3.9117	3.7745	0.6758	0.6484	0.3242	3.9117	3.9620	0.4359	0.8717	0.5641
Debt to Equity Ratios (D/E)	3.5148	4.6306	0.3358	0.6716	0.6642	3.5148	1.2867	0.8768	0.2464	0.1232

Relative cash flow component	0 Mean t = (-1)	1 Mean t = (-3)	Mean(-1) - Mean(-3) Pr(T>t) diff<0	diff = 0	diff > 0	0 Mean t = (-1)	1 Mean t = (+2)	Mean(-1) - Mean(+2) Pr(T>t) diff<0	diff = 0	diff > 0
C. Common Stock Offering Companies										
Dividend Payment (DIV)	-0.0187	-0.0076	0.0388**	0.0775	0.9612	-0.0187	-0.0174	0.4279	0.8557	0.5721
Fixed Coverage Expenditure (FCE)	-0.0466	-0.0621	0.6787	0.6426	0.3213	-0.0466	-0.0417	0.3622	0.7245	0.6378
Debt Financing Flow (FIND)	-0.0250	0.0311	0.2379	0.4758	0.7621	-0.0250	-0.0088	0.1603	0.3207	0.8397
Equity Financing Flow (FINE)	0.0248	0.0081	0.8947	0.2105	0.1053	0.0248	0.0034	0.9577	0.0845	0.0423**
Net Financing Flow (NFF)	0.0321	0.0431	0.4298	0.8596	0.5702	0.0321	0.0159	0.7462	0.5075	0.2538
Net Investment Flow (NIF)	-0.0144	0.0083	0.0148**	0.0296	0.9852	-0.0144	0.0000	0.0963*	0.1926	0.9037
Net Operating Flow (NOF)	0.2017	0.0403	0.9857	0.0286	0.0143**	0.2017	0.0607	0.9873	0.0254	0.0127**
Net Working Capital Fow (NWC)	-0.0016	-0.0099	0.5581	0.8837	0.4419	-0.0016	-0.0398	0.9671	0.0659	0.0329**
Short Term Borrowing (STB)	0.0096	-0.0483	0.9771	0.0458	0.0229**	0.0096	0.0085	0.5377	0.9247	0.4623
Net Cash Flow (NCF)	-0.0342	-0.0718	0.7548	0.4904	0.2452	-0.0342	-0.0251	0.2531	0.5061	0.7469
Asset (Size)	3.7092	3.6698	0.5847	0.8307	0.4153	3.7092	3.9681	0.0692*	0.1384	0.9308
Debt to Equity Ratios (D/E)	4.0369	6.9159	0.0876*	0.1752	0.9124	4.0369	2.2533	0.9639	0.0722	0.0361**

The stars next to the coefficient represent level of significant of 0.1(*), 0.05(**), and 0.01(***).

Table VI (Continued)

Pair t-test analysis compare mean of each cashflow component between before and after financing period

Relative cash flow component	Mean **t = (-1)**	Mean **t = (-2)**	Mean(-1) - Mean(-2) Pr(T>t) diff<0	diff = 0	diff > 0	Mean **t = (-1)**	Mean **t = (+1)**	Mean(-1) - Men(+1) Pr(T>t) diff<0	diff = 0	diff > 0
A. Straight Debt Offering Companies										
Dividend Payment (DIV)	-0.0296	-0.0233	0.0856*	0.1713	0.9144	-0.0296	-0.0841	0.9249	0.1503	0.0751*
Fixed Coverage Expenditure (FCE)	-0.0822	-0.0745	0.3274	0.6547	0.6726	-0.0822	-0.3391	0.8994	0.2012	0.1006*
Debt Financing Flow (FIND)	0.0049	-0.0234	0.9221	0.1559	0.0779*	0.0049	0.2493	0.0885*	0.1770	0.9115
Equity Financing Flow (FINE)	0.0065	0.0047	0.7523	0.4954	0.2477	0.0065	-0.0008	0.7549	0.4903	0.2451
Net Financing Flow (NFF)	0.0277	0.0364	0.3454	0.6908	0.6546	0.0277	0.2056	0.0977*	0.1953	0.9023
Net Investment Flow (NIF)	-0.0129	-0.0211	0.8224	0.3552	0.1776	-0.0129	-0.0268	0.7744	0.4512	0.2256
Net Operating Flow (NOF)	0.1194	0.1174	0.5668	0.8665	0.4332	0.1194	0.2839	0.0658*	0.1316	0.9342
Net Working Capital Fow (NWC)	-0.0375	-0.0246	0.1840	0.3680	0.8160	-0.0375	-0.1009	0.9532	0.0937	0.0468**
Short Term Borrowing (STB)	0.0094	0.0189	0.2340	0.4679	0.7660	0.0094	0.0205	0.1582	0.3164	0.8418
Net Cash Flow (NCF)	-0.0507	-0.0361	0.0971*	0.1943	0.9029	-0.0507	-0.2850	0.8975	0.2051	0.1025
Asset (Size)	4.5043	4.4413	0.7136	0.5728	0.2864	4.5043	4.5444	0.3625	0.7250	0.6375
Debt to Equity Ratios (D/E)	2.7481	3.3495	0.1762	0.3523	0.8238	2.7481	2.5553	0.6409	0.7181	0.3591
B. Convertible bond Offering Companies										
Dividend Payment (DIV)	-0.0133	-0.0150	0.5614	0.8773	0.4386	-0.0133	-0.0113	0.4053	0.8106	0.5947
Fixed Coverage Expenditure (FCE)	-0.0610	-0.0454	0.3084	0.6168	0.6916	-0.0610	-0.0670	0.5611	0.8779	0.4389
Debt Financing Flow (FIND)	0.0214	0.0184	0.5196	0.9607	0.4804	0.0214	-0.0392	0.8299	0.3402	0.1701
Equity Financing Flow (FINE)	0.0242	0.0235	0.5083	0.9834	0.4917	0.0242	0.0000	0.7715	0.4571	0.2285
Net Financing Flow (NFF)	0.0666	0.0073	0.8789	0.2423	0.1211	0.0666	-0.0021	0.9109	0.1782	0.0891*
Net Investment Flow (NIF)	-0.0442	-0.0199	0.1110	0.2221	0.8890	-0.0442	0.0113	0.0119**	0.0238	0.9881
Net Operating Flow (NOF)	0.1079	0.0794	0.7111	0.5778	0.2889	0.1079	0.0510	0.9092	0.1816	0.0908*
Net Working Capital Fow (NWC)	-0.0166	-0.0224	0.5839	0.8322	0.4161	-0.0166	0.0366	0.0384**	0.0768	0.9616
Short Term Borrowing (STB)	-0.0005	-0.0221	0.7393	0.5214	0.2607	-0.0005	0.0006	0.4556	0.9112	0.5444
Net Cash Flow (NCF)	-0.0224	-0.0430	0.8010	0.3981	0.1990	-0.0224	0.0161	0.1160	0.2320	0.8840
Asset (Size)	3.9117	3.8457	0.5838	0.8324	0.4162	3.9117	3.9525	0.4485	0.8969	0.5515
Debt to Equity Ratios (D/E)	3.5148	1.8619	0.7801	0.4399	0.2199	3.5148	1.5448	0.8450	0.3100	0.1550

Relative cash flow component	Mean t = (-1)	Mean t = (-2)	Mean(-1) - Mean(-2) Pr(T>t) diff<0	diff = 0	diff > 0	Mean t = (-1)	Mean t = (+1)	Mean(-1) - Men(+1) Pr(T>t) diff<0	diff = 0	diff > 0
C. Common Stock Offering Companies										
Dividend Payment (DIV)	-0.0187	-0.0139	0.2632	0.5264	0.7368	-0.0187	-0.0194	0.5417	0.9166	0.4583
Fixed Coverage Expenditure (FCE)	-0.0466	-0.0454	0.4698	0.9395	0.5302	-0.0466	-0.0556	0.7194	0.5612	0.2806
Debt Financing Flow (FIND)	-0.0250	0.0653	0.1126	0.2253	0.8874	-0.0250	-0.0160	0.2849	0.5697	0.7151
Equity Financing Flow (FINE)	0.0248	0.0046	0.9490	0.1021	0.051*	0.0248	0.0198	0.6261	0.7479	0.3739
Net Financing Flow (NFF)	0.0321	0.0294	0.5178	0.9644	0.4822	0.0321	0.0257	0.5971	0.8057	0.4029
Net Investment Flow (NIF)	-0.0144	-0.0012	0.108*	0.2160	0.8920	-0.0144	-0.0176	0.6037	0.7927	0.3963
Net Operating Flow (NOF)	0.2017	0.1714	0.6255	0.7491	0.3745	0.2017	0.0695	0.9819	0.0361	0.0181**
Net Working Capital Fow (NWC)	-0.0016	-0.0485	0.8097	0.3807	0.1903	-0.0016	-0.0308	0.9580	0.0839	0.042**
Short Term Borrowing (STB)	0.0096	-0.0229	0.9009	0.1982	0.0991*	0.0096	0.0206	0.1621	0.3241	0.8379
Net Cash Flow (NCF)	-0.0342	-0.0555	0.6422	0.7157	0.3578	-0.0342	-0.0360	0.5446	0.9108	0.4554
Asset (Size)	3.7092	3.6554	0.6129	0.7743	0.3871	3.7092	3.9457	0.089*	0.1779	0.9110
Debt to Equity Ratios (D/E)	4.0369	6.4575	0.0772*	0.1545	0.9228	4.0369	2.4277	0.9474	0.1052	0.0526*

The stars next to the coefficient represent level of significant of 0.1(*), 0.05(**), and 0.01(***).

Table V

Table V constructed to compare statistic analysis among logit, probit and multivariate probit to analyze relationship between type of financing and company cashflow component at prior issuing period.

	Y1		Y2		Y3	
	Logit	**Probit**	**Logit**	**Probit**	**Logit**	**Probit**
div	4.905378	2.498852	13.912164	5.0304012	8.3142869*	3.2311448*
fce	-2.6206561**	-1.4236317***	3.5339487	1.333206	3.1174716**	1.6056573**
find	2.3469282**	1.1683122**	3.7888036	1.5292011	2.6519748**	1.2604317**
fine	-0.419888	-0.405285	1.3554009	0.6663082	1.2429132	0.62320135
nff	-2.4169005**	-1.1758373**	-0.81425137	-0.32370206	-0.2464498	-0.01023201
nif	-2.2720796*	-1.090225	0.80042574	0.66487184	1.1861511	0.63201636
noanl	2.553956	1.220185	0.73710911	0.10947314	2.9717244	1.3333075
nof	-0.051512	-0.017169	-0.15422028	-0.05206069	.50718504*	.25910496*
nwc	-0.006427	0.020442	3.8773512	1.7228898	3.1812054***	1.6526287***
stb	1.127789	0.498612	1.112929	0.41874458	2.301213	1.0768727
ncf	-1.757627	-0.922219	0.26841021	0.08543317	-1.3907061	-0.66963537
de	-.04016813**	-.01887042**	-0.00404857	-0.00178311	-0.00041123	-0.00015287
asset_log	1.1166424***	.61075983***	0.39021393	0.16536262	0.11784055	0.05056405
_cons	-6.6334304***	-3.7025625***	-5.4403955***	-2.7108615***	-2.6119253***	-1.4637394***
	Prob > chi2 = 0.0000	Prob > chi2 = 0.0000	Prob > chi2 = 0.6592	Prob > chi2 = 0.6336	Prob > chi2 = 0.0679	Prob > chi2 = 0.0924
	Pseudo R2 = 0.1091	Pseudo R2 = 0.1128	Pseudo R2 = 0.0433	Pseudo R2 = 0.0446	Pseudo R2 = 0.0229	Pseudo R2 = 0.0216

The stars next to the coefficient represent level of significant of 0.1(*),0.05(**), and 0.01(***).

Appendix II			
Symbol	Groups	Sign	Assumption
DIV	Dividend Paid	Always negative.	- Includes dividends actually paid out as cash disbursements including both common stock of the parent company and preferred stock of all companies consolidated. - Excludes dividends paid to minority shareholders and dividends paid by subsidiaries.
STB	Cash from ST Borrowing	0*	- Includes all short term loan
FIND	Increase in LT Borrowings	Always positive.	- Increase in long-term borrowings, including capital (finance) lease obligations.
	Reimbursement of LT Borrowings	Always negative.	- Includes reimbursement of long-term borrowings, capital/finance lease obligations and transfer to short-term portion of long-term debts.
	Decrease(Increase) in Loans	Net changes in loans.	- Includes resale agreements, federal funds sold, and interest-bearing deposits in other banks.
FINE	Increase in Capital Stock	Always positive.	- Issuance of common and preferred stock and common stock warrants or other common stock equivalents.. - Includes sale of treasury stock. - Excludes minority interest and issuance of stock by subsidiaries.
	Decrease in Capital Stock	Always negative.	- Repurchase of common stock, common stock warrants, or other common stock equivalents. - Includes redemption of preferred share capital and includes purchase of treasury stock.
NFF	Cash from Financing Activities	Total Cash from financing activities.	- Sum of Dividends Paid, Increases (decreases) in Short-term Borrowings, Increases in Long-term Borrowings, Decreases in Long-term Borrowings, Increases in Capital Stock, Decreases in Capital Stock, and Other Financing Activities.
NOA&L	Increase(Decrease) in Deposits Increase (Decrease) in Insurance Reserve	Net changes in deposits. Changes in annuity reserves.	- Includes advances from borrowers for taxes and insurance. - Only for life insurance reserve. Non-life reserve is in cash flow from operations under "change in non-cash working capital."
FCE	Disposal of Fixed Assets	Always Positive.	- Proceeds from sales of fixed assets including assets from discontinued operations and leased assets. - Includes retirement of fixed assets.
	Capital Expenditures/Prop Add	Always negative.	- Purchases of (tangible) fixed assets but excludes purchases of investments.
NIF	Decrease in Investment	Always positive.	- Proceeds from sale of long-term investments that are carried at cost or market. - Includes long-term receivables but excludes short-term investments and long-term investments held under the equity method.

Appendix II			
Symbol	Groups	Sign	Assumption
	Increase in Investment	Always negative.	- Purchases of long-term investments carried at cost or market and held purely for investment purposes. - Excludes short-term investments and long-term investments held under the equity method.. - Includes decrease (increase) in federal funds sold and repos.
	Property Improvement	Always negative.	Amounts associated with major property improvements, capital improvements, enhancements and repairs and maintenance expenditures on properties.
	Other Investment Activities	Cash increase (decrease) from other investing activities.	- Includes acquisition of businesses and sale of subsidiaries and increase (decrease) in short-term investments.
NOF	Prov For Doubtful Accts	Always negative.	- Sum of Net Income, Depreciation and Amortization, Other Non-Cash Adjustments, and Changes in Non-cash Working Capital. - Includes any investing activity not already included as a portion of Disposal of Fixed Assets, Capital Expenditures, Decrease in Investments, and Increase in Investments. - Includes investing activities from discontinued operations when separated from other activities. - Includes changes in scope of consolidation and includes increase (decrease) in investments accounted for under the equity method..
	Cash Flow Net Income	Net profit after all expenses have been deducted.	- Includes the effects of all one-time, non-recurring, and extraordinary gains, losses, or charges, discontinued operations, changes in accounting standards and minority interests. - Should Cashflow net income from the financial document not equal net income from the income statement, the difference will be placed into Other Non-Cash Adjustments to make net income on both income and cash flow summaries equivalent.
	Depreciation & Amortization	Always negative.	- Includes all depreciation and amortization expenses included as a part of Cost of Goods Sold and Selling, General and Administrative Expenses (Operating Expenses).
NWC	Changes in Non-Cash Working Capital	0*	- Changes in current assets (except cash items) and current liabilities as designated on this period's Balance Sheet. Includes changes in short-term assets and liabilities.

Appendix II			
Symbol	Groups	Sign	Assumption
NCF	Free Cash Flow Ex-Dividend	0*	- Cash flow from operating activities adjusted for capital expenditures and dividends. Capital expenditure is the amount the company spent on purchases of tangible fixed assets. Dividend is the amount actually paid out as a cash disbursement. Calculated a
	Dividend Paid	Always negative.	- Includes dividends actually paid out as cash disbursements including both common stock of the parent company and preferred stock of all companies consolidated. - Excludes dividends paid to minority shareholders and dividends paid by subsidiaries.