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Journal of Applied Economic Sciences

Journal of Applied Economic Science is a young economics and interdisciplinary research journal, aimed to publish articles and papers that should contribute to the development of both the theory and practice in the field of Economic Sciences.

The journal seeks to promote the best papers and researches in management, finance, accounting, marketing, informatics, decision/making theory, mathematical modelling, expert systems, decision system support, and knowledge representation. *This topic may include the fields indicated above but are not limited to these.*

Journal of Applied Economic Sciences be appeals for experienced and junior researchers, who are interested in one or more of the diverse areas covered by the journal. It is currently published quarterly with three general issues in Winter, Spring, Summer and a special one, in Fall.

The special issue contains papers selected from the **International Conference** organized by the **European Research Centre of Managerial Studies in Business Administration** and **Faculty of Financial Management Accounting Craiova** in each October of every academic year. There will prevail the papers containing case studies as well as those papers which bring something new in the field. The selection will be made achieved by:

- Conference Session Chairs
- Editorial Board Members

The journal will be available on/line and will be also be distributed to several universities, research institutes and libraries in Romania and abroad. To subscribe to this journal and receive the on-line/printed version, please send a request directly to jaes_secretary@yahoo.com

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THE APPLICATION OF COPULAS IN PRICING DEPENDENT CREDIT DERIVATIVES INSTRUMENTS

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Abstract:

The aim of this paper is to use copulas functions to capture the different structures of dependency when we deal with portfolios of dependent credit risks and a basket of credit derivatives. We first present the well-known result for the pricing of default risk, when there is only one defaultable firm. After that, we expose the structure of dependency with copulas in pricing dependent credit derivatives. Many studies suggest the inadequacy of multinormal distribution and then the failure of methods based on linear correlation for measuring the structure of dependency. Finally, we use Monte Carlo simulations for pricing Collateralized debt obligation (CDO) with Gaussian and Student copulas.

Key-Words: default risk, credit derivatives, CDO, copulas functions, Monte Carlo simulations.

JEL Classification: C15, G12

THE EVOLUTION OF FINAL FINANCIAL RESULTS IN TIME

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Abstract

The auditor's knowing and understanding of the respective economic segment, the detailed analysis of the relations between income and results on account of time, motivate us to use the method of extrapolation and include it in the auditing procedures.

Key words: dispersion cloud, extrapolation, harmonization point.

JEL Classification: A12, M41, M42

RISK TAKING IN ECONOMICAL – FINANCIAL ACTIVITY

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Abstract:

Any economic activity is carry on in risks conditions, these risks being more and less serious, more and less well- known, easiest and hardest to avoid.

Before starting any tipe of activity it's enforce an identification and evaluation of risks who can appear, their elimination and reduction as much as it can, accepting just these risks who affect in small mesure the firm activity. The insufficient knowledge of risk, it wrong evaluation, the missing of an adecvated protection against this, will affect directly the final result of carry on activity.

In economical-financial activity, risk is a component of any activity, being found in daily agenda of companies' managers. In any moment the managers have to know which is and how is the risk, and if this risk it isn't bigger than profit. The unexpected modifications in evolution of interest rate, of exchange risk or of price of one product not only affect the financial results of one firm, but it can determine even her failure. As a matter of fact, the financial decisions imply incertitude. The financial decisions are taken in consideration by the cashflows stipulated by the future contracts, which are uncertain excellently. So, the risk is an uncertain component of financial decisions. It's not surprising that an important function of financial system is the allocation of risk regarding to interest rate evolution, acts price, exchange rate or the price of certain goods etc. As a matter of fact, also the production process is influentated by a series of generating factors of risks, risks

which can be found in the process of projection and implementation of the new high technology, as well as the joining of production factors which means the organisation of work, production and leading.

Keywords: risks, financial decisions, risk evaluation

JEL Classification: D81, G00

KNOWLEDGE MANAGEMENT THROUGH THE LENS OF INNOVATION AND LABOUR PRODUCTIVITY IN A KNOWLEDGE BASED ECONOMY

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Abstract:

The 21st century brings along the recognition for the necessity to understand and measure the activity of knowledge management, for which reason organizations and system organizations, together with decisional governmental factors, do their best in order to develop policies that would promote these benefits. Knowledge management (KM) implies any activity regarding the capture and the diffusion of knowledge within the organization. In our study we analyze the impacts and dimensions of KM upon the innovation and labour productivity within the organization, and how KM affects the firm's innovative performance. A key component of knowledge management is to provide access to stored knowledge components to improve decision making and to facilitate knowledge acquisition by the user.

Keywords: knowledge-based economy, knowledge management, knowledge, explicit and implicit knowledge, innovation, productivity, diffusion of knowledge.

JEL Classification: A12, D24, L60, N0, O31, O32

LONG-TERM LINEAR TRENDS IN CONSUMER PRICE INDICES

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Abstract

Headline CPI, core CPI and indices for various expenditure categories were analyzed. Long-term linear trends have been found in the difference between the core CPI and the headline CPI in the USA. Duration of these periods is different for positive (18 years) and negative (8 years) trends, and the trends change to opposite during some shorter time intervals of 2 to 4 years.

The difference between the core CPI and the index for energy is similar to that between the core CPI and headline CPI. The index for energy will reach the core CPI in 2008, however. Then, one should not expect further increase in energy price beyond that dictated by the CPI. It is likely that oil price will be falling in absolute terms. The difference between the core CPI and the index for food also has two linear branches after 1980, but the slope of the current trend is weak and the difference will intercept zero line only in 2014. The difference between the core CPI and the housing index is characterized by an almost constant duration of negative and positive branches – approximately 11 years. The current period of negative slope in the difference will approach its turning point in 2008 or 2009 and is characterized by very high volatility. The next trend has to be positive, i.e. the housing index will be growing at a lower rate than the headlining CPI. The difference for the transportation index had a longer period of positive slope – between 1980 and 2004. During this period the difference reached the level of 30 units of index. Currently, a turning period is observed and a negative slope is developing.

The difference related to price indices allows to accurately predicting the evolution of relevant stock market indices.

Key words: CPI, core CPI, expenditure categories, price index, stock market index

JEL Classification: E31, E37, G12

ON INSURANCE CONTRACT DESIGN FOR LOW PROBABILITY EVENTS

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Abstract:

This paper extends the analysis of insurance contracts design to the case of "low probability events", when there is a probability mass on the "no accident-zero loss"-event. The optimality of the deductible clause is discussed both at the theoretical and empirical levels.

Keywords : Optimal insurance design, low probability events.

JEL Classification Number: D80-D81.

ENGLISH INFLUENCES IN ROMANIAN BUSINESS VOCABULARY

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Abstract:

Our language reflects directly and ceaseless all changes that take place in a community, at the economical level, political, administrative, technical or informational. For this reason, our language creates new words with its own resources: derivation, composition, lexical family and borrowing. Usually, a language borrows from that foreign language that produces the innovation in a specific domain.

If in the 19th century, the source of Romanian borrowings was literary Latin and neo-Romanic languages, especially French and Italian, and in some domains of techniques Romanian borrowed more from German, nowadays, the principal origin of borrowings is English. As we can easily check up Romanian borrowings more words from English especially in domains like informatics, business, management, marketing, but also in fashion, music, showbiz and even in Romanian argotic language.

From this point of view, borrowings (or loanwords) are a necessity of a language to cover a notion or concept that didn't exist before and the Romanian language cannot create a correspondent to cover that meaning. Business language became daily language based on situations which arise daily in ordinary businesses from Monday to Friday. Words like manager, staff, credit card, design, advertising, agreement, show-room had entered in our usual vocabulary. We will analyze the importance of loanwords, their classifications and their correct use in Romanian language.

Keywords: loanwords, Business English, Romanian language, Anglicisation, linguistic globalisation.

JEL Classification: A12, M21

STATE – of – ART of INDIAN COMPETITIVENESS

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Abstract

Competitiveness makes or mars performance of firms, industries, nations in the current hyper competitive global market. India is one of the fastest growing economies of the world in recent years. One after another study, is projecting that India would be a leading economy in 21st century. This research work is an attempt to study the competitiveness of India. It looks at both macro and micro aspects. To have a macro perspective, it studies the performance of Indian economy in two prominent indices of competitiveness. India has improved its rankings in the competitiveness indices. To have a micro perspective, it undertakes a literature review on the subject in Indian context. The findings are mixed and the firms, industry and the country need to put in efforts for improving its competitiveness. The findings are mixed on the impact of liberalisation on competitiveness. It identifies government level issues and firm level issues for competitiveness.

Key words: India, competitiveness, liberalization, globalization, global competitiveness.

JEL Classification: C43, F02, F43, O11, O12

ICT PENETRATION AND AGGREGATE PRODUCTION EFFICIENCY: EMPIRICAL EVIDENCE FOR A CROSS-SECTION OF FIFTY COUNTRIES

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Abstract

This study investigates the impact of telecommunications penetration on the aggregate production efficiency in a large cross-section of fifty countries. We show that higher levels of ICT capital stock penetration increase technical efficiency levels in the aggregate production function. However, depending on the geographical location the effects of ICT penetration are different. Our empirical findings suggest that increasing the per capita telecommunications capital in the form of land line and mobile telephones, computers, Internet access and the like is likely to considerably increase productive efficiency in case of the poorest nations, while in the more developed countries such gains have been largely exhausted. In the end we offer several avenues for more research based on the caveats discovered while working on this study.

Keywords: economic growth, technical efficiency, telecommunications investment

JEL Classification: O3, O4

LEVERAGING SOA IN BANKING SYSTEMS' INTEGRATION

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Abstract

There is no doubt that the systems' integration is one of the most important and complicated tasks in software filed especially for complex applications like banking systems. Complexity in integrating banking systems often comes from continues changes in both technical and business features provided by them to meet customer needs. Banking systems always come from different software vendors which mean using platforms and different design and architecture patterns, and this for sure adds extra complexity for integrating them. Service-oriented architecture (SOA) is a promising method in software filed that aims to build or restructure software systems in a manner that makes their maintenance and integration easier. Agility is the most important goal that should be achieved when building and integrating banking systems. Simply, agility is needed to meet market needs quickly and efficiently and SOA is the way that could provide it.

Keywords: SOA, SOI, P2P Integration, Web Services, and Legacy Code.

JEL Classification: C63, C88, G21

LES FINANCES DES INSTITUTIONS PUBLIQUES AU COEUR DE LA REFORME DEMOCRATIQUE DE L'ETAT

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Résumé

Les finances publiques expriment des relations économiques qui apparaissent dans le procès de constitution et répartition des fonds publics destinés à satisfaire les besoins généraux de la société.

La nouvelle politique financière publique renvoie à l'organisation et à la distribution des pouvoirs. Elle concerne aussi bien les décideurs politiques que les gestionnaires. Elle est au coeur de la réforme des finances publiques et de la réforme de l'État. Elle est un enjeu majeur de société qui va bien au-delà d'un simple phénomène conjoncturel. C'est un nouveau contrat social, un autre lien entre le citoyen et l'État qui se dessine le contribuable citoyen est perçu et se perçoit lui-même peu à peu comme un usager, puis comme un client.

Cet article se propose de détailler les défis reliés à la finance publique dans le contexte modern, adapté à l'économie actuelle post-transition, ainsi que de proposer une stratégie pour adapter la politique financière publique au desiderata de transparence démocratique.

Mots cle: *politique financière publique, finance, institution publique*

JEL Classification: H72, H83

REENGINEERING AS AN EFFICIENT SOLUTION TO REDESIGN ACTIVITIES AND PROCESSES OF AN ENTERPRISE

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Abstract:

The paper shows a series of opportunities linked to the technological, human and economical reengineering of activities and technological processes developed in a modern enterprise, adding new dimensions in the efficient development, on the market principles, in argument with the desiderate of the durable development of the society.

Starting with these considerations we designed aspects linked to: business reengineering implementation, stages of this process, accentuating the management methods, delimitation on areas of activity of the effects on reengineering action.

Key words: business reengineering process, reengineering enterprise, models and methods for reengineering project

JEL Classification: C61, C63, O32

THE COMPETENCE – THE INCREASE FACTOR OF THE PROFESSIONAL COMPETITION

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Abstract:

The performance cannot be reached without that the human being be competent in his activity field, but there is kept that only if the competence is put in action, it can achieve the real performance.

In the context of the society of information and globalization, the profile of the competences of the future must take into account the new types of organizations which will appear and the new objects which will be established by these in their quality of organizations founded on the knowledge.

The creativeness is necessary for every wage worker which wants to have the power on the performance of his own professional existence, constituting the base of the individual performances.

Key words: professional performance, personal competence, human creativeness, organizations, objects, knowledge.

JEL Classification: J24



Dear colleagues,

It is our pleasure to announce **The 2nd International Conference on “Business and Information Technologies. New Approaches”** organized by European Research Centre of Managerial Studies in Business Administration and Faculty of Financial Management Accounting to be held in Craiova (ROMANIA) in 24-25 October, 2008.

All information about the Conference (Call for Papers, Instructions for Authors, Contact...) is available at: <http://www.conference2008.uv.ro>

You are kindly invited to submit original papers within the aims and scope of the conference, by June 20, 2008. All submissions are to be conducted at this mail address: office_conference@yahoo.com

The topics of interest are organized in 14 tracks:

- Business Administration
- Risk Management
- Mathematics Models of Economical Processes
- Accounting
- General Financial Markets
- Mathematical Modelling
- Knowledge Management
- Management Information System
- Business Reengineering
- ICT , e-Business, Business Intelligence
- Intelligent and Computer Systems in: economy, education, banking, insurance, and elsewhere
- Management of Technological Innovation and R&D
- Technological Change
- Law and Economics
- Environmental Economics

Important Dates:

20 June, 2008 – Abstract submission deadline	Extended to 30 August, 2008
25 June, 2008 – Notification of acceptance/rejection	
10 July, 2008 – Deadline for payments	Extended to 30 August, 2008
15 July, 2008 – Final paper submission deadline	Extended to 30 August, 2008
24- 25 October, 2008 – Conference	