

The Financial Reporting Environment: Historical and Theoretical Perspectives

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Abstract

The corporate information environment develops endogenously as a consequence of information asymmetries and agency problems between investors, entrepreneurs, and managers. We provide a framework for analyzing the three main decisions that shape the corporate information environment in a capital markets setting: (1) managers' voluntary reporting and disclosure decisions, (2) reporting and disclosures mandated by regulators, and (3) reporting decisions by third-party intermediaries (analysts). We review current research on disclosure regulation, information intermediaries, and the determinants and economic consequences of corporate disclosure and financial reporting decisions. We conclude that in the last ten years, research has generated a number of useful insights. Despite this progress, we call for researchers to consider interdependencies between the various decisions that shape the corporate information environment and highlight changes in the economic financial environment that raise new and interesting issues for researchers to address.

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