

Voluntary Disclosure and Capital Markets

3rd term

Prof. Giacomo Boesso

Course description

Accounting information plays two important roles in market-based economies. First, it allows capital providers (shareholders and creditors) to evaluate the return potential of investment opportunities (the ex-ante or valuation role of accounting information). Second, accounting information allows capital providers to monitor the use of their capital once committed (the ex-post or stewardship role of accounting information). Information asymmetry harms these two main roles of accounting.

In this course we focus on disclosure as a way firms might use to reduce the level of information asymmetries existing among market participants. Looking at contemporary empirical financial accounting research, the course introduces students to the main theories behind governance & disclosure (agency theory, stewardship theory, resourced based view theory) and to the main empirical research themes in existing governance & disclosure literature.

Emphasis will be placed on issues like the determinants behind a disclosure choice, the characteristics of the discloser (i.e. credibility) and of the information disclosed (i.e. verifiability) and how these characteristics interact with the expected effects of the disclosure. Finally, particular focus will be given to the content of the extended financial reporting.

Grading

The grades will be based on the following components:

- Class participation, materials reading and comprehension: 15%

- Paper presentation and discussion: 35%

- Referee report: 25%

- Assignment and in class presentation: 25%

Readings

Each student is supposed to have read the papers indicated in this syllabus before attending the courses. Each student will be assigned specific references (3 or 4 articles) that will be presented and discussed during the course.

Referee report

Each student is expected to evaluate a paper on a topic relating to the course.

Assignment

Each student will complete a pragmatic analysis of a research paper to be presented during the last day of class.

Schedule and readings (subject to change every academic year)

Unit 1

Corporate governance and financial accounting

- Adams, R. B., & Ferreira, D. (2007). A theory of friendly boards. *The Journal of Finance*, 62(1), 217-250

Unit 2

Corporate governance and management accounting

- Norreklit, H. (2000). The balance on the BSC a critical analysis of some of its assumption, *Management Accounting Research*, 11(1), 65-88.

Unit 3

Board composition

- Lara, J. M. G., Osma, B. G., & Penalva, F. (2009). Accounting conservatism and corporate governance. *Review of Accounting Studies*, 14(1), 161-201.
- Hwang, B. H., & Kim, S. (2009). It pays to have friends. *Journal of financial economics*, 93(1), 138-15

Unit 4

Extended financial reporting and Intellectual Capital

- FASB (2001). Improving business reporting.
- Simpson, A. (2010), Analysts' Use of Nonfinancial Information Disclosures, *Contemporary Accounting Research*, 27, 1, 249---288

Unit 5

Reporting measurement & CSR

- E&Y, KPMG, PCW, HMM. (1999). The Copenhagen Charter. A management guide to stakeholder reporting.
- Mitchell, R. K., Agle, B. R. and Wood, D. J. (1997). Toward a theory of stakeholder identification and salience: defining the principle of who and what really counts. *Academy of Management Review*, 22(4): 853-86.
- Agle, B. R., Mitchel, R. K. and Sonnenfeld, J. A. (1999). What matters to CEO? An investigation of stakeholder attributes and salience, corporate performance, and CEO values. *Academy of Management Journal*, 42(5), 507-525.

Unit 6

Guidelines and research reports

- The international integrated reporting <IR> framework
- Global reporting initiative (GRI), G4 guidelines
- KPMG International Survey of corporate responsibility reporting

Unit 7

A pragmatic approach to research in VD

- Porter, M. E. and Kramer, M. R. (2011). Strategy and society: The link between competitive advantage and corporate social responsibility. *Harvard Business Review*, January, 62–77.
- Michelon G, Boesso G, Kumar K. 2013. Examining the link between strategic corporate social responsibility and company performance: an analysis of the best corporate citizens. *Corporate Social Responsibility and Environmental Management* **20**: 81-94. DOI: 10.1002/csr.1278

Unit 8

Students' presentation