Research on Financial Reporting and Disclosure:
Recent Literature Review*

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ABSTRACT: In this paper, we review recent literature on financial reporting and disclosure published in the Korean Accounting Review post Asian financial crisis (2000-2016). We survey empirical research on the role of financial accounting and reporting (1) as information in a non-strategic setting and (2) as information in a strategic setting. We summarize the research areas and questions examined over the past two decades and what we have learned from the work. We provide our thoughts as to the interesting and important issues for future research.

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I. Introduction

We review the empirical accounting literature on financial reporting and disclosure post Asian financial crisis (2000-2016). The goal of this review is to provide a cohesive picture of the empirical evidence on capital markets research published in the Korean Accounting Review during this period. The financial crisis led to several regulatory changes, including those in the structure of regulatory bodies and accounting and audit rules. Notably, Korea adopted the International Financial Reporting Standards (IFRS) in 2011 to enhance financial reporting transparency. These changes offer many opportunities for researchers to take advantage of unique settings and advance the literature on financial reporting and disclosure and to evaluate how the Korean financial reporting system has evolved. Focusing on capital markets research, we survey 286 research papers to summarize the research findings and explanations for the results. The topics of interest to academics include studies associating financial reporting with the capital markets, associating financial reporting discretion with earnings management and conservatism, and examining the role of managerial disclosures and analyst forecasts in the capital market.

Borrowing the framework of Beaver (1996), we classify financial reporting and disclosure research into (1) accounting information in a non-strategic setting and (2) accounting information in a strategic setting. The literature under a non-strategic setting examines how accounting information affects the equity and/or debt market participants' decisions. The next stream of literature under a strategic setting examines economic agents' strategic behavior under information asymmetry. This includes earnings management studies associated with agency problems from information asymmetries among interested parties. We also review literature on firm disclosures and analysts