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THE RECENT TREND IN FINANCIAL ACCOUNTING AND ITS IMPACT ON OTHER ACCOUNTING MAJORS: A LITERATURE REVIEW

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ABSTRACT

This research aims to shed light to the interaction between financial accounting and the other majors like auditing, managerial accounting, and tax accounting. This study reviews 50 articles published in the top five journals (i.e., The Accounting Review, Journal of Accounting Research, Journal of Accounting and Economics, Review of Accounting Studies, and Accounting, Organizations and Society) for the period from 2017 to 2020. The literature shows a continuous adaptation of the determinants of information environment to the economic theory and the uniformity of accounting standards through the International Financial Reporting Standards (IFRS), whatever the legal country enforcement. Also, the role of this transition on the reported information and the financial reporting quality (FRQ). Besides, managerial values and beliefs can appreciate the CEO's opportunities to serve outside boards and appreciate firms' performance. Moreover, tax planning influences the managers' financing decisions by relying on debt financing and exploiting the tax amnesty exhibited by tax authorities. Finally, future research is needed to investigate the determinants of information environment post the digital transformation in Egypt, besides the reactions of stakeholders toward the digitalized financial services or products especially in auditing and tax services..

INTRODUCTION

Financial accounting is the most aged science that provides systematic cycles for collecting, recording, and reporting the firms' financial information, and thus supporting the stakeholders in their decision-making process. It assists in ensuring accountability and controls within firms and evaluating the firms' performance and sustainability (Triani, 2023). However, it is upgraded rapidly to align with a new digital age (Berikol and Killi, 2021) and interacted with other branches like auditing, managerial accounting, tax

accounting, and accounting information system (AIS).

The presented studies in this literature aim at shedding light on the role of financial economics in accounting standards setting, financial reporting quality (FRQ), financial disclosures, and financial auditing. Globalization is one factor beyond the convergence between Financial Accounting Standards Board (FASB) and International Accounting Standard Board (IASB), that had led to initiatives like the International Financial Reporting Standards (IFRS) to harmonize accounting practices across boards and

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enhance the financial reporting quality globally (Parrondo and Salas, 2024). Also, financial economics such as efficient market hypothesis (EMH) enforced the standards' setters to adjust the conceptual frameworks to be more forward looking like IFRS 9 (Pucci and Skærbæk, 2020). Additionally, financial disclosures and their characteristics represent the transmission media between firms and their stakeholders whether mandatory or voluntary and thus influencing the quality of reported information.

Theoretically, these phenomena were presented in the literature from two main perspectives that are positive and normative accounting theories. Normative Accounting Theory (NAT) emphasizes prescriptive standards and norms that recommend how accounting practices should be applied to attain specific goals. Conversely, Positive Accounting Theory (PAT) aims to describe and predict the actual accounting practices by testing the hypotheses (Patty *et al.*, 2021).

For instance, the PAT can be observed in studies that adopted the agency theory (Ewert and Wagenhofer, 2019; Koo *et al.*, 2017). Moreover, the majority of studies adopted the NAT such as the efficient market hypothesis EMH as economic theory (Pucci and Skærbæk, 2020), De Cateau's theory (Crvelin and Becker, 2020), the theory of enforceable rules (Henderson and O'Brien, 2017), the theory of increased reporting frequency (Kajüter *et al.*, 2019), an increased awareness of safety improvements (Christensen *et al.*, 2017), disclosure theory (Kim *et al.*, 2017), the theory of arbitrage and institutional investor behavior (Bushee *et al.*, 2019), the cultural psychology of managers (Brochet *et al.*, 2019), an institutional theory (Bradshaw *et al.*, 2019), economic theories on cartel sustainability (Goncharov and Peter, 2019), the ignorance of accounting -based information (Blankespoor *et al.*, 2019), the theory of information dissemination and consumption (Heinrichs *et al.*, 2019), the increased

accounting conservatism (Khurana and Wang, 2019), the theory of block-holders exit (Hope *et al.*, 2017), a professional service approach to auditing (Knechel *et al.*, 2020), the accountability theory (Hurley *et al.*, 2019), a theory of ethnicity (Ellahie *et al.*, 2017), the Big Five personality model (Green *et al.*, 2019), the theory of loss aversion (Nichol, 2019), the Self- Determinant Theory (SDT) (Pfister and Lukka, 2019), the perspective of Campbell's Law and cognitive dissonance (Bentley, 2019), the game-theoretic models (Johnson *et al.*, 2017), the theories of Relative Performance Evaluation (RPE) and Relative Target Setting (RTS) (Holzhacker *et al.*, 2019), the economics of crime theory by Becker (1968) and the tax compliance model by Allingham and Sandmo (1972).

Empirically, the studies of Christensen *et al.* (2017), Chen *et al.* (2017), Kim *et al.* (2017), Blankespoor *et al.* (2019), Khurana and Wang (2019), Bonsall and Miller (2017), Hope *et al.* (2017), Blaylock *et al.* (2017), and Shevlin *et al.* (2017) applied the Difference in Difference (DID) research design that compares the outcomes over time between treatment group who is influenced by an intervention and control group who is not influenced (Richardson *et al.*, 2022). Additionally, the studies of Hurley *et al.* (2019), Bentley (2019), Reusen and Stouthuysen (2020), and Bonsall and Miller (2017) applied an experimental study that manipulates independent variables to observe their impacts on dependent variables by constructing an artificial environment to simulate ethical considerations and the complexity of real-world application (Lud and Prügl, 2021).

Accordingly, the research is organized as follows: Section 2 illustrates the topics within the financial accounting areas, Section 3 shows the financial auditing and the auditors' accountability, Section 4 presents the managerial accounting topics

such as managerial beliefs and capital budgeting process, Section 5 presents tax planning mechanisms, and finally Section 6 discusses the main results of each topic and indicates the limitations and the future research.

Financial Accounting

Financial economics in accounting standard setting

Financial economics provides a theoretical framework that shapes the principles guiding standard-setting to ensure the relevance and usefulness of the accounting information for decision-making process (**Osho and Aderemi, 2018; Pelger, 2016**). Also, it enhances the transparency, reliability, and uniformity in corporate reporting to mitigate the phenomenon of information asymmetry through the implementation of International Financial Reporting Standards (IFRS) and the introduction of economic methods (**Morley, 2011**).

For instance, the Efficient Market Hypothesis (EMH) as an economic theory, has been instrumental in shifting a focus from the "incurred loss" model to the "expected loss" model in IFRS 9, as a response to the 2008 financial crisis (**Pucci and Skærbæk, 2020**). In the other word, if loan pricing reflects all available information like the probability of non-payment and the changes in present values that are influenced by the changes in interest rates and expected losses, it will create "double-counting" during the recognition of expected losses at the time of loan origination (**Beaver et al., 1989**). However, IFRS promote the use of fair values to record transactions and allocate the initial amount of transactions among its constituent parts, and thus recover the problem of double-counting (**Cairns, 2006**).

The Actor-Network Theory (ANT) is suitable for exploring how EMH can actively shape IFRS 9, since it combines the performativity of economic theory and the

sociology of translation (**Callon, 1986**). From the ANT perspective, the translation process starts by recognizing the issue and the key actors to problematize, experiment, evaluate, and decide on proposed solutions that may result in the issuance of a new standard. Thus, the application of ANT theory requires a combination of document analysis and interviews from the key actors who are involved in the IFRS 9 standard-setting process, including those from regulatory bodies, audit firms, and financial institutions (**Pucci and Skærbæk, 2020**).

Initially, the EMH-inspired model (*i.e.*, ideal type) faced resistance due to its operational complexity and the unrealistic assumption that expected losses are fully reflected in loan pricing at origination. Accordingly, the International Accounting Standard Board (IASB) adopted an approximation strategy to develop more practical solutions to reconcile various concerns from different stakeholders. Ultimately, the study of **Pucci and Skærbæk (2020)** showed an empirical example of how theoretically "pure" economic models are transformed through negotiation and practical constraints during the standard-setting process, leading to outcomes that are workable but may deviate from the original theoretical ideals (*i.e.*, market imperfection).

On the other hand, the standard setting process is oriented by self-interest groups with economic incentives to justify particular solutions (**Watts and Zimmerman, 1979**); that may lead to "aggressive top down" nature of the issued standards and increase their resistance (**Sunder, 2016**). For instance, a large international non-governmental organization (NGO) applied some accounting practices to improve the market efficiency in Nepal, however, the local actors (*i.e.*, politicians and deprived family farmers) exploited these practices opportunistically through an unforeseen resistance (**Crvelin and Becker, 2020**).

Following De Cateau's theory, the local actors navigate, resist, and creatively reinterpret the structures imposed upon them by society. Also, it highlights the subtle, creative, and often unforeseen ways that local actors resist within the imposed accounting practices and reinterpret their power to serve their agendas through everyday practices that subvert dominant strategies (**De Certeau, 1984**). Thus, Crvelin and Becker (2020) adopted "ethnography" to describe the interactions between the NGO and local actors in Nepal, and analyze how accounting practices are adapted, resisted, and transformed through everyday activities. Besides, they illustrated these dynamics by two case examples, once at the policy level and another at the level of beneficiary farmers. Also, the multi-method ethnographic approach was adopted and applied through fieldwork and participants observations, formal interviews, internal documentation, and abductive reasoning.

Therefore, the study of **Crvelin and Becker (2020)** shed light to a complex interaction between global governance mechanisms (i.e., accounting) and local actors (i.e., farmers, politicians, and activists) due to the unintended local appropriation of accounting, resistance through accounting, governance from below, and flexible nature of accounting. The unintended local appropriation was observed in the local actors' efforts to reprogram the accounting tools to support their local political ambitions, social dynamics, and personal desires, and thus they deviated from the NGO's market-based objectives. Also, the resistance within a system was observed when local politicians manipulated data from accounting tools to steer project resources toward communities that would benefit them politically, while farmers adapted the accounting frameworks to serve their social and economic interests. Thus, the NGO lost control over the "spirits" it had summoned and became subject to governance "from below." Finally, the flexible nature of accounting supported the

reinterpretation of local actors and constrained the strict compliance with the NGO governance mechanisms.

Accounting standards in transition

The transition from rules-based standards (U.S. GAAP) to principle-based standards (IFRS) represents a qualitative leap in financial reporting frameworks globally. This transition aims at attaining consistency, comparability, and transparency in the financial reporting process through the reassessment of the applied accounting practices (**Susliani et al., 2022**). However, the transition process involves various challenges in its application across different sectors and countries.

For instance, the treatment of lease accounting as capital leasing is influenced by professional judgement and bright-line criteria during the transition span. These criteria aimed to stop fooling the financial statements' users through the presentation of operating leases (i.e., off-balance sheet item), and thus the IFRS 16 replaced the FAS 13 as transition from domestic GAAP to IFRS (**Bennett and Bradbury, 2003**). Thus, the theory of enforceable rules (bright-line tests) in accounting standards may lead to transaction structuring compared to the professional judgement (principle -based) that may reduce such contract structuring.

Similarly, the study of **Henderson and O'Brien (2017)** showed that the professional judgement and the absence of bright-line criteria have an insignificant effect on the lease capitalization through conducting an international panel data analysis for four countries (Australia, Canda, the UK, and the US) and hand-collecting data from the annual reports of companies in retail and transportation sectors. Nevertheless, Australian companies indicated a higher use of capital lease due to their common business practices (i.e., hire purchase contracts), and the UK showed a higher reliance on the lease capitalization after the IFRS adoption.

However, the flexibility of IFRS may lead to managerial opportunism and mislead the decision makers, especially in the cash-flow classification and the treatment of goodwill accounting. For instance, the study of **Gordon et al. (2017)** showed a higher tendency to inflate the reported operating cash flow (OCF) among 789 non-financial firms from 13 European countries due to the classification variability within the IFRS, especially through the interest paid, interest received, and dividends received. The firms' OCF-increasing classification choices are influenced by their capital market incentives (i.e., frequent equity issuance and higher leverage) and financial distress situation. Accordingly, the IFRS flexibility in OCF-increasing classification choices can lead to less comparability and uniformity in financial reporting through accruals and free cash flows, and thus it will affect the market's assessment of financial performance.

Furthermore, the study of **Li and Sloan (2017)** indicated that the fair-value impairment tests introduced by SFAS 142 has led to the delayed recognition of goodwill and the inflated earnings that can be reflected in lower future stock returns of such firms. This study introduced another example of the flexible nature of SFAS 142 that requires professional judgement due to the subjective nature of the fair-value model, and thus it opens another backdoor for more managerial opportunism and earnings management. Accordingly, managers exploit the overvalued goodwill to inflate the security pricing during an admission for the associated business acquisition or repurchasing of securities.

Mandatory vs voluntary disclosures

Disclosures represent a communication media between managers and other stakeholders to inform them about the firms' financial profile and frame their perceptions towards the reported information (**Owusu-Ansah, 1998**). Mandatory disclosures are obligated by regulatory bodies (government

authorities or stock exchanges) to ensure the firms' compliance with the legal requirements and the protection of stakeholders' interest. While voluntary disclosures represent the managerial responsibility to transmit additional information beyond the legally required, such as corporate social responsibility (CSR), sustainability reports, and future business strategies to polish the firms' market reputation (**Akhtaruddin, 2005**).

Following the theory of increased reporting frequency, the impact of mandatory quarterly reporting on firm value can be explored from three channels; liquidity, compliance cost, and short-termism (**Kajüter et al., 2019**). First, the liquidity channel means that more frequent reporting has led to lower information asymmetry between investors due to the availability of information, reducing trading costs, and improving the market efficiency (**Glosten and Milgrom, 1985**). Second, the compliance cost channel indicates the costs associated with mandatory quarterly reporting which represent a burden on smaller firms. Finally, the short-termism channel represents the managerial discretion to attain the short-termism performance goals that may lead to suboptimal decisions (**Gigler et al., 2014**).

Accordingly, **Kajüter et al. (2019)** conducted a comparison between firms just above the S\$75 million market capitalization threshold (which had to adopt quarterly reporting) and firms just below the threshold (which continued semi-annual reporting) by applying a regression discontinuity design. The findings showed that there is a 5% decrease in firm values for smaller firms that can be translated into a net burden. Also, this negative market reaction appeared due to the increased compliance costs rather than liquidity or short-termism after a regulatory change in Singapore. However, larger firms showed a positive informational spillover after the application of quarterly reporting compared to non-reporting firms within the same sector.

Additionally, Section 1503 of the Dodd-Frank Act requires the inclusion of mine-safety records in financial reports for the Securities and Exchange Commission's (SEC) listed firms to indicate the real effects of mandatory CSR disclosure and increase the public awareness of safety issues (Lynn, 2011). Accordingly, the study of Christensen *et al.* (2017) indicated that mandatory disclosure of mine-safety records in financial reports has led to reductions in safety violations and injuries at the cost of labor productivity. Theoretically, these findings were framed by an increased awareness of safety improvements to avoid any concerns about political costs, reputational damage, and activism by stakeholders. Practically, the Difference in Difference (DID) methodology was applied to compare changes in mining-related citations, injuries, and labor productivity between mines owned by SEC-registered firms and those owned by non-SEC-registered firms.

Furthermore, the study of Glaeser and Guay (2017) discussed the findings of Christensen *et al.* (2017) and focused on its contributions and criticisms. For instance, disclosure of information in SEC filings aims to serve a broader audience than the Mine Safety and Health Administration (MSHA) website, and thus the real effects can influence the investor behavior and attract media and analyst attention post the Dodd-Frank Act. Also, mandated disclosures in financial reports contribute to improving worker safety that was clear in the reductions of safety violations and injuries rates. Nevertheless, these findings cannot be generalized since the effects observed in the mining industry may not be applicable to other industries or types of CSR disclosures. Another criticism is causal interference and methodology due to challenges of identifying causal effects when interpreting the findings. Thus, there is a need for future research to balance causal identification with the generalizability to improve understanding in accounting research.

On the other hand, voluntary disclosures are governed by managers who have a choice to disclose or withhold bad news, especially if the disclosure is expected to threaten their job security and compensation plans (Kothari *et al.*, 2009). For instance, the study of Bao *et al.* (2019) adopted a novel approach to develop and validate residual short interest as a proxy for managers' private bad news and examine its relationship with the frequency of bad news disclosures that are proxied by management earnings guidance and voluntary 8-K filings. Generally, managers tend to withhold bad news that can be observed in a negative association between residual short interest and bad news disclosures. This finding is theoretically framed by the conflict of managerial incentives since a higher tendency to withhold bad news can be explored by lower litigation risks and higher equity incentives, while the higher litigation risks and reputational concerns enforced managers to quickly disclose such bad news.

Similarly, the study of Naughton *et al.* (2019) adopted the theory that higher litigation risks lead to greater transparency and voluntary disclosures. Following a nature experiment methodology, the researchers explored the influence of the Morrison ruling on the disclosure behavior of foreign cross-listed firms which limited the ability of foreign investors to file class-action lawsuits in U.S. courts, and thus it would reduce their expected litigation costs and voluntary disclosure levels. Thus, there is a positive relationship between the expected litigation costs and voluntary disclosures post Morrison ruling that is accompanied by a significant reduction in voluntary disclosures of either good or bad news.

Furthermore, some studies provided proxies for voluntary disclosure such as Research and Development (R & D) capitalization under IFRS, earnings guidance, and management forecasts and

their influences on the investors' decisions. For instance, the study of **Chen *et al.* (2017)** applied the DID tests and propensity-score matching to compare the disclosure behaviors between IFRS and GAAP firms for a sample of 180 Israeli high-technology and science based firms. Theoretically, positive externalities of accounting standards such as R&D capitalization under IFRS may motivate managers to collect and disclose additional R&D information voluntarily, and thus they will enrich an information environment for investors. Therefore, IFRS firms disclosed more voluntary R&D information than GAAP firms that could be reflected in the incremental value relevance for investors and the increased share price informativeness.

From disclosure theory, voluntary disclosures such as earnings guidance contribute to reducing a problem of information asymmetry between managers and investors (**Verrecchia, 2001**). While quarterly earnings guidance may promote the managerial myopia by focusing on short-term performance rather than long-term shareholders' value creation (**Graham *et al.*, 2005**). Thus, the study of **Kim *et al.* (2017)** employed the DID research design to compare firms that discontinued providing quarterly earnings guidance with those that continued during the post-Regulation Fair Disclosure (post-Reg FD) period. The findings declared that discontinuing quarterly earnings guidance promoted shifting the investors' behavior from short-termism to long-term firm valuation and thus reducing the managerial myopia. Accordingly, firms that discontinued quarterly earnings guidance experienced an increase in the proportion of long-term institutional investors who cared for analysts' long-term earnings forecast revisions and a reduction in the Chief Executive Officers (CEOs) dismissals who would not be pressured by meeting short-term targets.

However, voluntary disclosures such as management forecasts can reduce the firms' cost of capital (COC) by enriching an

information environment through reducing the information asymmetry and the estimation risk (**Hughes *et al.* 2007; Easley and O'Hara 2004; Diamond and Verrecchia, 1991**). Hence, the study of **Cao *et al.* (2017)** conducted across 31 countries from the period of 2004 to 2009, and concluded that the strength of association between management forecasts and lower COC was influenced by country-level institutional factors such as investors protection, information dissemination, and mandatory disclosure requirements. Thus, stronger investors protection and better information dissemination (i.e., media penetrations) strengthen the negative association between management forecasts and COC. While the tightness of mandatory disclosure requirements weakens the influence of management forecasts on COC, since the incremental value of voluntary disclosures lessened due to the sufficiency of mandatory disclosures in transmitting information.

Financial reporting quality (FRQ)

Financial reporting quality (FRQ) represents the accuracy, reliability, and transparency of the reported financial information that is expected to influence the stakeholders' decisions about the firms' sustainability by reflecting their economic reality (**Hope *et al.*, 2013**). Thus, high-quality financial reporting dilutes the problem of information asymmetry and improves market efficiency, while poor quality promotes managerial opportunism and market imperfection.

For instance, the study of **Bushee *et al.* (2019)** indicated the influence of FRQ on the short-term institutional investors' decisions by evaluating the costs associated with the investment strategies (i.e., value and momentum) and their holding periods. Hence, the findings showed that poor FRQ has influenced the short-term (transient) institutional investors' decisions by shifting their investment strategies from value stocks to momentum stocks. In other words, the

value strategies became less attractive for transient institutional investors since poor FRQ is attached with longer holding periods and higher holding costs for value stocks until a firm's fundamental value is recognized. Theoretically, these findings are framed by the theory of arbitrage and institutional investor behavior, that explores the relationship between FRQ and the costs and benefits of investment strategies, especially in terms of holding costs and their impact on institutional investors' decisions (**Shleifer and Vishny, 1997**). Practically, the study of **Bushee et al. (2019)** analyzed large datasets from sources like Thomson Financial, COMPUSTAT, and CRSP, besides the application of regression models to explore the relationship between FRQ, investment strategies (value and momentum), and holding periods.

Following the agency theory, the relationship between principals (investors) and agents (managers) is abbreviated in a contract that provides a complete delegation to agents to make a suitable decisions on the principals' behalf regarding any critical matter (**Jensen and Meckling, 1976**). Accordingly, the study of **Koo et al. (2017)** explored the influence of FRQ on the dividend policy from the free cash flow problem and by considering two competing views; the outcome view represents the disciplining managers who promotes the idea that higher reporting quality leads to higher dividends, while the substitute view indicates that higher reporting quality reduces the need for dividends as a mechanism to build reputation. Practically, the **Dechow and Dichev (2002)** model was applied to measure FRQ and the Tobit model was adopted to investigate the effect of FRQ on dividends among the U.S. public companies from 1994 to 2011, with the constraint that dividends cannot be negative (**Wooldridge, 2002**). Thus, the findings of **Koo et al. (2017)** supports the outcome view by indicating that better FRQ leads to higher dividends, not the reverse. Also, this relationship is stronger in firms with more

severe free cash flow problems and firms with higher ownership by showing institutional investors.

Further, the study of **Nallareddy and Ogneva (2017)** explored the relationship between the accrual quality (AQ) and systematic risk within the context of managed mutual funds. Theoretically, the poor AQ is associated with higher expected returns, however, skilled fund managers can mitigate this bias by avoiding or underweighting stocks with deteriorating fundamentals. Accordingly, the findings indicated that AQ is associated with systematic risk, and thus the more skilled managers could exploit this relationship to generate higher returns on portfolios with poor AQ stocks compared to less skilled managers.

Determinants of information environment

Information environment represents an atmosphere where information is created, shared, accessed, and consumed. It encompasses transparency and investment decisions, managerial information behaviors, the frame work for transmitting relevant information, and the characteristics of information recipients. These determinants are multifaceted and cooperated to facilitate the flow of information from its sources to final recipients. Thus, there is a deep need for securing the process of information dissemination, its quality, and its communication media.

Regarding the cultural psychology of managers, the managerial information behaviors can be evaluated by individualism or collectivism (**Aoki et al., 2012**). Individualism refers to independence and self-reliance, and thus it promotes more optimistic and self-referencing communication styles. While collectivism supports group cohesion and harmony, and thus it leads to less self-reference and possibly less optimistic communication. Practically, the study of **Brochet et al. (2019)** adopted content

analysis of earnings conference call transcripts from 24,901 executives across 42 countries, and applied the ethnicity-name matching technique to classify managers into ethnic groups, and then measured the individualism by the **Hofstede (2001)** index. Thus, the findings indicated that managers with individualistic cultures declare more optimistic tone and self-referencing during unscripted conference calls, and thus analysts are expected to react positively to this optimistic disclosure tone. However, the analysts' reaction to optimistic tone has become stronger when they share the same managerial cultures, especially in case of collectivism. Similarly, the market response to forecast revisions has become more favorable when the analysts share the collectivism culture with managers, compared to the individualism.

Regarding the transparency and investment decisions, the study of **Goncharov and Peter (2019)** indicated that financial reporting transparency is attached with the reduced cartel duration since it leads to earlier detection of cheating within the cartel, and thus destabilizing the cartel. Also, transparent segment disclosures can assist in exposing the deviations from cartel agreements by verifying agreed-upon sales for specific products or regions. Theoretically, the findings are explained by economic theories on cartel sustainability, indicating that transparency could either reduce contracting costs by providing verifiable information or destabilize cartels by exposing cheating through transparent reporting (**Ball et al., 2008**). Practically, **Goncharov and Peter (2019)** adopted the Cox proportional hazard model, to analyze how the adoption of transparent accounting standards (IFRS or U.S. GAAP) influences cartel duration, for a sample of firms indicted by the European Commission for forming illegal cartels between 1980 and 2010.

Following the theory of information dissemination and consumption, the study of **Heinrichs et al. (2019)** explores the differential consumption of firm disclosures, particularly earnings conference calls, and their reflection on the subsequent investment decisions and market efficiency. Hence, the key consumers of earnings calls are institutional investors (*i.e.*, non-holders) who do not hold a position in the firm at the time of the call but may hold positions in competitors or take a position in the firm later. However, the selective consumption of these calls is associated with more informed trading decisions, especially for those investors who hold large positions. Therefore, the demand variation is driven by firm-specific factors such as market value and trading volume, with limited influence from managerial actions in the short run.

Concerning the communication media, the study of **Blankespoor et al. (2019)** indicated that individual investors prefer the reliance on simpler signals (past stock returns) rather than accounting-based signals (earnings surprises), while making their trading decisions. Theoretically, the ignorance of accounting -based information can be explained by the awareness, acquisition, and integration costs to investigate the investors' behaviors (**Merton, 1987**). Both awareness and acquisition costs are the focus of SEC regulations that require decreasing the costs of accessing information such as the inclusion of analyst consensus in the articles (**SEC, 2000**). Practically, the study of **Blankespoor et al. (2019)** relied on an archival approach, and data were retrieved from the Associated Press's (AP) automated articles on firms' earnings announcements, and then the generalized (DID) model was applied to assess the impact of these articles on trading volume. Accordingly, the findings showed that even when accounting information is readily available, and acquisition costs are minimal, individual investors still neglect accounting-based information due to the effort required to use

accounting information in trading decisions (integration costs) and overconfidence in technical strategies (behavioral biases).

Furthermore, the level of professionalism among internet intermediaries is expected to influence the quality of disseminated information and the market prices, especially around corporate events such as earnings announcements (**Drake et al., 2014**). Practically, the study of **Drake et al. (2017)** adopted a novel dataset from Raven Pack to explore the impact of different categories of intermediaries (i.e., professional, semi-professional, and non-professional) on stock price responsiveness and timeliness during earnings announcements. Thus, the findings showed that coverage by professional and semi-professional intermediaries (i.e., news sites and investment research websites) has led to increased price responsiveness and timeliness. While coverage by non-professional intermediaries (i.e., blogs and forums) has led to negative market effects such as hindering price information. Hence, the broader coverage by professional intermediaries supports the capital market efficiency, however, the non-professional intermediaries introduce noise and misleading signals due to their large followers.

Regarding the framework for transmitting information, the study of **Bradshaw et al. (2019)** showed that analysts domiciled in countries with stronger institutional infrastructures exhibited significantly less optimism in their target price forecasts. Also, target prices from analysts within stronger institutions have more predictive power for stock returns, and thus stronger infrastructures improve the investment value of target prices. Theoretically, an institutional theory can explain these findings since it supposes that stronger institutions (i.e., investor protection and legal enforcement) in the analyst's home country should reduce self-serving biases such as optimism in target price forecasts (**Arand et al., 2015**). Practically, the study of **Bradshaw et al.**

(2019) used a hand-collected dataset of analysts' geographic locations and analyzed target price forecasts for firms headquartered in various countries. Then, the researchers applied a firm-fixed effects model to isolate the influence of analyst-country institutions from those of firm-country institutions.

On the other hand, the study of **Khurana and Wang (2019)** indicated that the enactment of Mergers and Acquisition (M & A) laws leads to increased accounting conservatism and better governance, especially in countries with weak shareholder protection and significant growth in takeover threats. Theoretically, the increased accounting conservatism can be explained by changes in firms' capital structure and investment decisions (i.e., the real effects channel), as well as improved board monitoring of management (i.e., board monitoring channel). Thus, these effects reflect the agency problem Type III that represents the conflict of interest between shareholders and debtholders. Also, these conservative accounting practices can limit managerial opportunism by recognizing economic losses more promptly than gains (**Ball and Shivakumar, 2005**). Practically, **Khurana and Wang (2019)** applied DID which compares the changes in the degree of accounting conservatism for firms subject to M&A law to firms not subject to M&A law, then they utilized an event-study framework, which traces the dynamics of conservatism over a tight four-year window around the promulgation of each M&A law.

Furthermore, the study of **Shroff et al. (2017)** indicated that peer information has led to a lower cost of capital for other firms in the industry, especially those with limited disclosures (i.e., private firms). However, this association weakens over time since firm-specific information becomes available after going public and thus indicating richer initial information environment. However, the study of **Matsumoto and Shaikh (2017)** criticized the findings of **Shroff et al. (2017)**

due to the small sample size and the coarse measures used (i.e., bond yields and bid-ask spreads), which restrict the generalizability and the ability to draw specific conclusions about the type of peer information that is most beneficial.

Additionally, the textual characteristics of disclosure represent a fundamental determinant of the information environment due to its reflection on the users' reactions toward the firms' reported numbers. For instance, the study of **Dyer et al. (2017)** shed light on an increased length of 10-K filings from 1996 to 2013, due to three topics that are fair value and impairment disclosure, internal controls, and risk factor disclosure. Thus, these topics contribute to increasing the undesirable textual characteristics (i.e., redundancy, stickiness, and boilerplate) and decreasing the readability, specificity, and the amount of hard information (i.e., desirable textual characteristics). In conclusion, these findings can be explained by the regulatory changes such as new FASB standards and SEC requirements, especially for the identified topics.

However, the study of **Miller (2017)** criticized the findings of **Dyer et al. (2017)** by referring to their bias due to the adoption of Latent Dirichlet Allocation (LDA) technique that requires subjective decisions in understanding the changing content of 10-K disclosures by identifying latent topics and assessing trends over time. Also, **Dyer et al. (2017)** did not show the negative consequences of the changes in 10-K disclosure attributes, and thus there is a need for future research to be focused on specific regulatory issues and textual attributes. However, **Miller (2017)** appreciated the work of **Dyer et al. (2017)** that contributes to the broader market ecosystem by supporting analysts and sophisticated investors in extracting useful information.

Similarly, the study of **Bonsall and Miller (2017)** referred to the impact of financial disclosure readability on the bond

market by considering **SEC (1998)** Plain English Mandate as a quasi-experimental setting. Practically, the mixed approach was adopted to combine quantitative regression analysis and a quasi-experimental design, and then the DID design was applied to compare firms that were required to improve their disclosure readability with those that were not. Thus, the findings demonstrated that firms that improved their disclosure readability due to the Plain English Mandate experienced more favorable ratings, reduced rating agency disagreement, and lower costs of debt, indicating that clearer communication reduces information asymmetry and improves market outcomes for firms.

Regarding the characteristics of information recipients, the study of **Berger et al. (2017)** revealed a negative association between bank's loan concentration in an industry or region and the likelihood of requesting audited financial statements from borrowers. Hence, the higher experience banks gain in specific sectors or regions, the lower their reliance on the audited financial statements, however, the less experienced banks may demand more detailed information to mitigate adverse selection risks. Empirically, these findings were based on a dataset from the Risk Management Association (RMA), which includes financial statement collection records and commercial loan exposures of various U.S. banks.

Additionally, the study of **Strahan (2017)** referred to the structural evolution of banks that may have shifted credit markets in favor of firms that can provide hard information, potentially limiting access to credit for others. Hence, the shift towards larger and more diversified banks, accelerated by deregulation and post-2008 financial crisis restructuring, has led to a greater reliance on hard information (i.e., audited financial statements). However, this shift may constrain the small businesses from accessing credit due to the provision of soft information (i.e., borrower character or non-standardized data). On the other hand, the

bank concentration in specific industry or region is expected to reduce the need for hard information, while the decline in new bank entries post-Dodd-Frank has limited the market's ability to adjust to these changes.

Furthermore, the study of **Carrizosa and Ryan (2017)** focused on the role of borrower private information covenants in supporting the loan contract monitoring, and thus there is a positive association between these covenants and the frequency of loan contract amendments. Besides, lenders trade on the borrower's private information they receive, with trading patterns reflecting the specific types of information disclosed (e.g., projected versus monthly historical financial statements). Theoretically, lenders benefit from private information about borrowers to effectively monitor and amend loan contracts, thereby reducing borrower moral hazard and enhancing contract efficiency.

Similarly, the study of **Nikolaev (2017)** discussed the findings of **Carrizosa and Ryan (2017)** by indicating the importance of monitoring mechanisms to offset the associated costs of loan contracts, particularly when there is higher credit risk, uncertainty, and information asymmetry. Additionally, the borrower private information covenants are complementary to the other monitoring mechanisms such as collateral requirements and accounting-based covenants, especially in situations of renegotiations and faster price discovery in secondary loan markets. However, these covenants have potential costs such as the burden of producing additional information, the risk of information hold-up, and potential managerial myopia. Also, the study of **Nikolaev (2017)** shed light on the difficulties in establishing causal relationships between covenants and outcomes such as renegotiation and informed trading due to potential endogeneity issues.

Concerning the governance mechanisms, the study of **Hope et al. (2017)** revealed that firms with increased block-holder exit

threats following the Split-Share Structure Reform (SSSR) show significant improvements in operating performance, indicating that exit threats can effectively govern managerial behavior. However, this effect diminishes in firms with high private benefits of control (PBC), indicating that in such settings, the governance role of exit threats is less effective. These findings are theoretically framed by the theory of exit that demonstrates that the threat of outside block-holders selling their shares can discipline managers and improve firm performance. Empirically, the study of **Hope et al. (2017)** adopted the DID design for a sample of Chinese firms from 1999 to 2013, to compare firms where outside block-holders faced increased exit threats due to the SSSR with those where exit threats did not change.

Financial auditing and auditors' accountability

Financial auditing serves as an economic service by providing a reasonable assurance about the reliability, accuracy, and transparency of the reported financial information, and thus the stakeholders can make their decisions regarding their orientations (**Peecher et al., 2013**). Auditors are held accountable for their judgement and the quality of their work, while this accountability is scrutinized by various regulatory frameworks. Accordingly, the effectiveness of these frameworks supports the audit quality and the public trust (**Nest et al., 2008**).

From a professional service approach to auditing, the study of **Knechel et al. (2020)** supported the idea of viewing the auditing as an economic service by indicating the importance of the cooperative relationship between the auditor and the client in enhancing the audit quality. However, the standardization of an audit process may hinder the audit quality by not fitting the unique needs of each audit engagement. Besides, the excessive focus on auditors' independence might impair the effectiveness

of the audit process by reducing necessary collaboration between auditors and clients.

From the accountability theory, the study of **Hurley *et al.* (2019)** conducted a 2x2 plus 1 experimental design, to simulate auditors' behavior under different accountability conditions that are economic accountability and psychological accountability. Thus, an improved audit quality was significantly observed in altering auditors' accountability relationships (i.e., removing economic accountability to managers and increasing psychological accountability to investors), besides incorporating auditor accuracy into the hiring process.

Furthermore, the study of **Gaver and Utke (2019)** revealed a positive association between industry specialization and audit quality that relies on specialist tenure (i.e., seasoned, unseasoned, and non-specialist), not the differences in client characteristics. Hence, it takes two to three years for an auditor to develop the necessary expertise to produce high-quality audits as a seasoned specialist. Accordingly, seasoned specialists, with more tenure in the specialist role, produce higher audit quality than unseasoned specialists and non-specialists. Also, the seasoned specialists are associated with reduced discretionary accruals and book-taxes differences (i.e., proxies for audit quality), and thus they can effectively constrain the opportunistic earnings management practices.

From an agency theory model, the study of **Ewert and Wagenhofer (2019)** explored the influence of enforcement intensity and penalties on the behavior of the manager and auditor, and consequently, the quality of financial reporting and auditing. Accordingly, the findings indicated a complementary role between enforcement and auditing in a weak enforcement regime, while a substitution role can be observed in a strong regime. Hence, stronger enforcement generally reduces earnings management but may have ambiguous effects on financial reporting

quality and audit quality, depending on factors like production risk, accounting system characteristics, and the scope of auditing relative to enforcement. Thus, stronger enforcement can improve financial reporting quality by reducing intentional errors, it might also crowd out audit effort, potentially leading to a decrease in overall audit quality in some scenarios.

Managerial Accounting

Managerial beliefs and CEO payments

Managerial beliefs, personality traits, and contract formatting play a fundamental role in shaping their compensation strategies that will be reflected on the employees' behavior, satisfaction, and retention. Besides, the compensation strategies represent the motivation mechanisms to support the employees' loyalty and their alignment with their organization's objectives. Thus, ethnicity and extraversion shaped the CEO's tenures in their industries, promotions, and serving outside boards.

From a theory of ethnicity, the study of **Ellahie *et al.* (2017)** concluded that inherited beliefs and values significantly influence CEO compensation structures globally. Hence, ethnicities with strong future time reference languages and those associated with Muslim and Jewish religious origins tend to have a higher proportion of variable pay. Also, CEO turnover represents a clear example of the significant effect of managerial beliefs, especially when the new CEO is of a different ethnicity than the predecessor. Empirically, these findings are validated for a global sample of CEOs from 31 countries that are analyzed by using the Ono-MAP software to classify CEOs' ethnicities based on their names, through a series of regression models.

However, the study of **Cohen (2017)** criticized the work of **Ellahie *et al.* (2017)** by focusing on the following gaps; two-sided matching, external validity, and lack of consistency across decisions. First, Two-

sided matching is observed in the ignorance of the negotiation dynamics between CEOs and firms, since the study of **Ellahie et al. (2017)** focused too much on the CEOs' inherited beliefs and values, without sufficiently accounting for the firms' preferences and market conditions. Second, External Validity of the findings of **Ellahie et al. (2017)** is constrained due to limited variation in the data about ethnicity-based preferences that can be observed in the over 75% of the data comes from four English-speaking countries and over 70% from three ethnicities within the UK region. Finally, Lack of Consistency Across Decisions can be observed when the same CEOs did not consistently display ethnicity-based preferences in other firm-level decisions, such as dividend payouts and leverage.

From the Big Five personality model, the study of **Green et al. (2019)** explored the role of personality traits (i.e., extraversion) on the executives' career success, such as compensation, job turnover, board memberships, and promotions, and consequently, its impact on firm performance. Empirically, the study applied a linguistic analysis approach to measure extraversion by analyzing speech patterns from the question-and-answer portions of conference calls involving over 4,500 CEOs and CFOs at Standard and Poor's (S and P) 1500 firms from 2006 to 2013. Accordingly, the extraverted executives experience significant career benefits, including higher compensation (i.e., a 6-9% salary increase), longer tenures, and a higher likelihood of serving on the outside boards and being promoted from CFO to CEO. Also, the extraverted CEOs are linked to better firm outcomes, such as improved investor recognition, sales growth, and higher acquisition announcement returns.

From the theory of loss aversion, employees are more motivated to avoid losses than achieve gains that can be translated into penalty-framed contracts (**Kahneman and Tversky, 1984**). Accordingly, the study of

Nichol (2019) conducted a 2x2 between-subjects experiment by recruiting undergraduate business students to manipulate contract framing (Bonus/Penalty) and the awareness of the opportunity to misreport (Before Effort/After Effort). Then, the findings indicated that penalty contracts lead to higher rates and degrees of misreporting compared to bonus contracts, due to a greater sense of entitlement under penalty contracts. However, there was no evidence that awareness of the opportunity to misreport caused participants to substitute effort with dishonesty.

Furthermore, the study of **Pfister and Lukka (2019)** adopted the Self-Determinant Theory (SDT) to explore the interaction of different management controls (personnel, cultural, and results controls) can foster conditions that support autonomous motivation, thereby enabling employees to internalize stretch targets and innovate under pressure. Empirically, a field study was conducted at Glob Search, a global technology company, and the data were collected through 35 semi-structured interviews, observations, and analysis of internal documents over several years. Therefore, the findings revealed that the successful achievement of stretch targets was associated with a specific interplay of results controls (stretch targets), personnel control (hiring, training), and cultural control (corporate values and environment). Thus, employees internalized the stretch targets by feeling competent, related, and autonomous, which enabled them to remain motivated, take risks, and innovate continuously.

Operational distortion and unmanaged earnings

From the perspective of Campbell's Law, managers whose compensation plans are attached with the predetermined performance, are more motivated to manipulate and distort the operational performance (**Brown, 1990**). Also, cognitive dissonance suggests

that individuals with a high preference for consistency, are more likely to align their beliefs with their actions to resolve any conflict, which narrative reporting facilitated by lowering operational distortion (**Cialdini et al., 1995**). Opportunistic earnings management represents an example of operational distortion; however, the distortion may result from unmanaged earnings.

For instance, the study of **Hemmer and Labro (2019)** adopted a theoretical model where managers use unbiased accounting information to make sequential decisions about real options available to their firms. This model emphasizes the role of managerial decisions in shaping the properties of reported earnings and their relation to market returns, through appreciating the shareholders' value and abridging any managerial opportunism by not engaging in strategic decision-making or reporting behavior for personal gain. Practically, a formal, mathematical approach to developing a parsimonious model was applied to generate predictions about the informational and distributional properties of earnings, which can then be compared with observed empirical patterns. Accordingly, the findings showed that reported losses are less persistent than gains, decision-making impacts reduce the S-shaped market response to earnings, and the frequency distribution of aggregate earnings is likely to be asymmetric and may exhibit a kink at zero, aligning with empirical observations. In conclusion, these phenomena arise naturally from the use of past earnings for value-enhancing managerial decisions, rather than from reporting noise, bias, or strategic manipulation.

Furthermore, the study of **Bentley (2019)** conducted an experimental design using 151 experienced chess players, that was divided into three phases: pre-agency (baseline bias), agency (operational distortion), and post-agency (surrogation). Thus, findings indicated that narrative reporting significantly

reduces operational distortion and surrogation. In other words, participants who provided narrative reports to their boss made more balanced decisions that considered all dimensions of the task, rather than focusing solely on the measurable aspects. However, narrative reporting particularly reduced surrogation among participants with a high preference for consistency. In summary, narrative reporting might change the way agents think about their decisions, reducing the likelihood of distorting operations to meet measurable performance criteria. Hence, this conclusion is aligned with Campbell's Law that suggests that performance measurement systems often lead to agents distorting their behavior (**Campbell, 1979**), and cognitive dissonance theory that explains why agents might change their beliefs to align with their actions (**Festinger and Carlsmith, 1959**).

Capital Budgeting and Target Setting

Capital budgeting consists of systematic steps to analyze the projects' cash inflows and outflows to indicate if the expected return meets a predetermined benchmark for long-term investments (**Zuzi, 2024**). This process aims to optimize the resources allocation and assess the risks associated with investment decisions through Net Present Value (NPV), Internal Rate of Return (IRR), Payback Period, and Profitability Index to evaluate if these projects are worthwhile (**Schoenmaker and Schramade, 2023**). For instance, the study of **Johnson et al. (2017)** adopted the game-theoretic models to determine optimal capital charge rates that align divisional managers' incentives with the firm's overall objective of maximizing net present value. Also, these models consider sequential private information available to divisional managers and the impact of multi-stage constraints on capital allocation. Accordingly, the findings indicated that optimal capital charge rates can vary significantly between stages of the budgeting process, depending on the

severity of resource constraints at each stage. Thus, the multi-stage settings with certain conditions indicate that a less severe resource constraint at a later stage can lead to higher capital charge rates at that stage. While the multi-stage settings with non-fungible constraints show that easing a constraint at one stage can increase the competition and opportunity cost at another stage, thus affecting capital charge rates across stages.

From the theories of Relative Performance Evaluation (RPE) and Relative Target Setting (RTS) perspectives, the studies of **Milgrom and Roberts (1992)** and **Holmstrom (1979, 1982)**, and others who shed light on the implications of RPE and RTS on incentives and cooperation among peers, by exploring the balance between the benefits of filtering noise from performance evaluations and the costs associated with reducing cooperation among peers. Similarly, the study of **Holzhacker et al. (2019)** indicated that the use of peer performance information in target setting has both benefits and costs, particularly in settings where cooperation is necessary. Accordingly, when cooperation among peers is crucial, target revisions are more sensitive to past own performance and less sensitive to past peer performance. However, target revisions are more sensitive to past peer performance when the peer group's capacity to filter out noise is higher. Empirically, these findings were based on 106 business unit (BU)-year observations whose managers need to share resources such as specialized equipment and staff to manage capacity bottlenecks, by focusing on the relationship between past tense and peer performance and target revisions.

Furthermore, the study of **Reusen and Stouthuysen (2020)** conducted an experimental design to assume the role of a buyer manager and manipulate the availability and content of third-party information, as well as the presence of the firm's own prior experience with the

supplier, to assess their impact on trust formation and partner selection. Thus, the findings showed that both neutral and favorable third-party information can elicit trust in potential partners, though they have different effects on competence and goodwill trust. Accordingly, third-party information has a significant influence on partner selection, even when a firm has its own prior experience. Also, trust in a partner can be established even in the absence of specific outcome information from third-party experiences, particularly in terms of competence trust, however, goodwill trust requires knowledge of positive outcomes to increase.

Tax Planning

Tax planning is a strategic approach that firms adopt to optimize their tax liabilities while ensuring compliance with legal frameworks (i.e., tax authorities). Thus, the firms' effective application of tax planning can lead to minimizing their tax burdens, maximizing their investment efficiency and appreciating their profitability (**Schanz and Schanz, 2011**). For instance, the study of **Blaylock et al. (2017)** conducted a natural experiment created by the Tax Reform Act of 1986 (TRA '86) in the U.S., and then applied the DID design to compare the changes in capital structure for firms affected by this act (converting firms) to those not affected (non-converting firms). Hence, the findings showed that firms facing increased book-tax conformity due to TRA '86 increased their leverage (debt financing) and experienced an increase in the cost of equity capital relative to non-converting firms, indicating a shift from equity to debt financing in their capital structure. Theoretically, these findings are explored by the theory that higher book-tax conformity decreases the informativeness of earnings for equity markets.

On the other hand, the economics of crime theory by **Becker (1968)** and the tax compliance model by **Allingham and**

Sandmo (1972) suggest that tax forgiveness programs may lower the perceived probability of detection for aggressive tax positions and increase expectations of future amnesties, leading firms to become more tax aggressive. Accordingly, the study of **Shevlin *et al.* (2017)** conducted a DID research design to analyze the state effective tax rates (STATE ETR) of firms headquartered in states that have granted tax amnesties compared to those in non-amnesty states. The study applied to samples of publicly traded firms, with a focus on changes in tax aggressiveness following the initial and subsequent amnesty events. Hence, the findings indicated that firms headquartered in amnesty-granting states exhibit increased tax aggressiveness following the first amnesty, as shown by a decrease in STATE ETR. However, the level of tax aggressiveness tends to increase with each additional tax amnesty granted by the state. In conclusion, these effects are more observed in smaller firms, suggesting that repeated tax forgiveness programs have increasingly negative implications for state tax collections.

Furthermore, the study of **Gallemore *et al.* (2019)** found that firms experience significant tax reductions when they begin relationships with banks that have a history of clients engaged in above-median tax planning. Hence, these effects can be observed in cases involving larger or longer-term loans, clients with foreign income or higher credit risk, and when the bank is an industry specialist or has substantial investment banking activities. Accordingly, tax intermediary banks are more likely to attract new business, indicating that offering tax planning services can be a competitive advantage for banks.

Regarding the analysts' forecasts, the study of **Mauler (2019)** showed that investors discount earnings management achieved through tax manipulations more significantly when analysts provide tax forecasts. Besides, firms with analysts' tax

coverage tend to increase their tax-related disclosures and engage in less tax avoidance. Therefore, the analysts' forecasts provide investors with value-relevant information to evaluate the firms' performance and thus optimize their investment decisions.

Methodology

By adopting the approach of **Tranfield *et al.* (2003)**, the current research followed three main steps; First, Identify the need for a review of new trends of accounting science, Second, Classify the selected studies based on each accounting major (i.e., Financial, auditing, managerial, and Tax) and review the studies' topics, theories and results as shown in Table 1 in appendix, Finally, Identify the gaps in the literature and create a future research agenda based on the review results.

Thus, this study reviews 50 articles published in the top five accounting journals (i.e., The Accounting Review, Journal of Accounting Research, Journal of Accounting and Economics, Review of Accounting Studies, and Accounting, Organizations and Society) for the period from 2017 to 2020.

RESULTS AND DISCUSSIONS

The presented literature covered the hottest topics of financial accounting to visualize the atmosphere where the financial information is created, recorded, processed, and reported to its target final users. First, the accounting standard setting process is framed by financial economics to harmonize the theoretical frameworks with the market contexts and uniform the financial reporting language through the application of IFRS and economic theories. However, the translation process can be manipulated by self-interest groups due to the flexibility of accounting practices and the unforeseen resistance through people's everyday practices. Also, country-specific characteristics

such as contracting differences and tax laws may constrain the transition of accounting standards since the professional judgement and the elimination of bright-line tests do not abridge the excessive reliance on the lease capitalization (**Henderson and O'Brien, 2017**). Besides, the theories of managerial discretion and financial reporting are suitable to explore the managerial opportunism through the impact of classification choices on reported OCF and the delayed recognition of goodwill recognition (**Gordon et al., 2017; Li and Sloan, 2017**).

Second, disclosures represent the managerial communication media to inform the firms' stakeholders with the relevant information, either through mandatory or voluntary disclosures. The mandatory disclosures indicate the firms' legal requirements in reporting their information, while the voluntary disclosures indicate the firms' managerial discretion in reporting some private information beyond the legal requirements. Thus, the interaction between the mandatory and voluntary disclosures were clearly observed in weakening the voluntary disclosure and COC relationship, reducing the managerial myopia and the CEO dismissal post the Regulation Fair Disclosure, and improving the incremental value of voluntary disclosure through the R & D capitalization under IFRS.

Accordingly, FRQ and AQ play a fundamental role in controlling investors' reactions toward their investment strategies and the expected dividends payments. Thus, the poor FRQ declares the short-termism by supporting the adoption of momentum investment strategies and searching for higher stock returns quickly compared to value strategies. Besides, the AQ-systematic risk relation promotes managerial opportunism, and then the skilled managers can generate higher returns on portfolios with poor AQ. However, the managerial discretion supports the outcome view since

the better FRQ leads to higher dividends payments that reflects the managerial opportunism that are not exclusive to the situations of poor FRQ.

Third, the information environment is adapted to new regulatory rules, psychological managers' culture, communication media, disclosure attributes, and peer information. Thus, the continuous trial to create a transparent information environment cannot be achieved without the cooperation among the regulators, analysts, managers, infrastructures, and investors to improve the market efficiency and impede the information asymmetry. Also, a country level institution (i.e., investor protection and legal enforcement), borrower private information covenants, and the exit of outside block holders contribute to effectively improving the monitoring role of stakeholders over the corporate information.

Finally, the stage of assurance services starts to attain the qualified financial information and secure the users' decision-making processes. Accordingly, the high qualified external auditors express their opinion about the fairness and accuracy of the financial statements, and thus their reasonable assurance about the reliability of the financial reporting will blockade the managerial opportunism, procure the stakeholders' informative needs, and lessen the asymmetric information and agency problems (Soliman and Ragab, 2014; Becker et al., 2003). In turn, it is expected that the high audit quality will support the firm's value and its market reputation.

On the other hand, the managerial accounting which is known as "Accounting for managers" that is relied on many sources of information such as financial accounting, cost accounting, and tax accounting for analyzing them with the help of certain tools or techniques and then passing on to the management for taking decisions in the interest of the organization and the parties interested into it. Thus, managerial beliefs

and values can raise the CEO's opportunities in serving outside boards and improve the organizations' performance. Also, penalty contracts enforce employees to avoid losses rather than exploit the available opportunities to attain gains. Finally, the interrelation of management controls (i.e., cultural, personal, and results) support the organization during the development and the innovation stages by challenging the employees' capabilities in attaining stretch targets.

From the tax authority's perspective, tax planning provides a competitive advantage for banks who are specialized in such service, enhances the informative role of analysts' forecasts, and increases the tax aggressiveness by relying on more debt financing and exploiting the tax amnesty granted by tax authorities. However, the applied procedures still contain gaps that allow for tax evasion and more tax avoidance.

Conclusion

The continuous trial to uniform the financial reporting language is adapted by the underlying financial economics through the adoption of IFRS, may be constrained by the resistance of self-interest groups and country-level characteristics. Although the legal enforcement and governance mechanisms that are upgraded to secure the information dissemination process, the managers still have a power over what news should be disclosed or withheld. Additionally, the financial reporting quality (FRQ) influences investment strategies since poor FRQ supports the investors' myopia by adopting momentum strategies rather than value strategies. Besides, the skilled managers exploit the accrual quality (AQ)-systematic risk relationship to generate higher returns from portfolios of poor AQ stocks. Therefore, the transparent information environment requires cooperation among the regulators, analysts, managers, infrastructures, and investors to

improve the market efficiency and impede information asymmetry.

On the other hand, financial auditing should be viewed as an economic service to provide a reasonable assurance about the reliability of reported information that can be achieved through the cooperation between the external auditors and clients to enhance the audit quality. Hence, shifting the auditors' accountability from economic accountability to managers to psychological accountability to investors can lead to high audit quality. Also, the auditors' industry specialization such as tax services is expected to improve the audit quality since they gain more experience in their industry and become seasoned specialists. However, auditing within a stronger enforcement can improve the financial reporting quality but it may decrease the audit quality.

Furthermore, managerial values and beliefs can appreciate the CEO's opportunities to serve outside boards and appreciate firms' performance. However, penalty contracts play a critical role in supporting managerial opportunism such as misreporting and dishonesty to secure their job positions and attain their predetermined compensation plans. Accordingly, the interrelations of management controls can assist the organizations in the development and innovation stages by challenging the employees' capabilities in attaining stretch targets. Additionally, capital budgeting processes evaluate the divisional managers' capabilities to optimize the firms' resources and improve the long-term investment decisions.

Moreover, tax planning influences the managers' financing decisions by relying on debt financing and exploiting the tax amnesty exhibited by tax authorities. Also, it appreciates the informativeness of analysts' forecasts by providing investors with relevant information about the firm's performance. Thus, tax planning is the main resource of the government's revenues that

firms try to minimize its liabilities and manipulate their reported earnings. Hence, there are continuous trials to tighten the gaps of tax laws and restrict the tax evasion phenomenon globally.

Briefly, most of the aforementioned studies was conducted in developed markets like U.S. and U.K., thus there is a need to explore the presented phenomena such as financial economics, financial standards transition, financial disclosures, financial reporting quality, and the determinants of information environment in the emerging markets like Egypt. Another limitation is that studies covered periods until 2013, and thus there is a need to investigate recent years to explore the impact of COVID 19 and Russian Ukrainian war on the financial economics.

For instance, there is a need for future research to investigate the determinants of information environment post the digital transformation in Egypt, besides the reactions of stakeholders toward the digitalized financial services or products. Also, there is a need for a study to explore the financial standards transition and its relationship with financial reporting quality and financial auditing. Additionally, future studies are needed for exploring the financial disclosure and its characteristics after the artificial intelligence (AI) era. Finally, there is a need to explore the influence of digitalization on financial auditing, managerial accounting (i.e., capital budgeting process), and tax planning mechanisms.

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Appendix

Table 1. The Research Framework

Topic	Journal No., Article No. ⁱ	Article Title	Authors
Financial Accounting	Financial Economics in Accounting Standard Setting		
	J.5- A.1	The co-performance of financial economics in accounting standard-setting: A study of the translation of the expected credit loss model in IFRS 9	(Pucci & Skærbæk, 2020)
	J.5-A.2	The spirits that we summoned': A study on how the 'governed' make accounting their own in the context of market-making programs in Nepal	(Crvelin and Becker 2020)
	Accounting Standards in Transition		
	J.4 A.5	The standard-setters' toolkit: can principles prevail over bright lines?	(Henderson and O'Brien 2017)
	J.4 A.10	Flexibility in cash-flow classification under IFRS: determinants and consequences	(Gordon <i>et al.</i> 2017)
	J.4 A.14	Has goodwill accounting gone bad?	(Li and Sloan 2017)
	Mandatory Vs Voluntary Disclosures		
	J.1 A.10	The Effect of Mandatory Quarterly Reporting on Firm Value	(Kajüter <i>et al.</i> , 2019)
	J.3 A.7	The real effects of mandated information on social responsibility in financial reports: Evidence from mine-safety records	(Christensen <i>et al.</i> , 2017)
	J.3 A.8	Identification and generalizability in accounting research: A discussion of Christensen, Floyd, Liu, and Maffett (2017)	Glaeser and Guay (2017)
	J.1 A.1	Do Managers Disclose or Withhold Bad News? Evidence from Short Interest	Bao <i>et al.</i> (2019)
	J.1 A.12	Private Litigation Costs and Voluntary Disclosure: Evidence from the Morrison Ruling	Naughton <i>et al.</i> (2019)
	J.4 A.6	The positive externalities of IFRS R&D capitalization: enhanced voluntary disclosure	Chen <i>et al.</i> (2017)
	J.4 A.7	Does the cessation of quarterly earnings guidance reduce investors' short-termism?	Kim <i>et al.</i> (2017)
	J.4 A.9	Management forecasts and the cost of equity capital: international evidence	Cao <i>et al.</i> (2017)
Financial Accounting	Financial Reporting Quality		
	J.1 A.4	Financial Reporting Quality, Investment Horizon, and Institutional Investor Trading Strategies	Bushee <i>et al.</i> (2019)
	J.4 A.8	The effect of financial reporting quality on corporate dividend policy	Koo <i>et al.</i> (2017)
	J.4 A.1	Accrual quality, skill, and the cross-section of mutual fund returns	Nallareddy and Ogneva (2017)
	Determinants of an Information Environment		
	J.1 A.3	Managers' cultural background and disclosure attributes	Brochet <i>et al.</i> (2019)
	J.1 A.6	Does reporting transparency affect industry coordination? Evidence from the duration of international cartels	Goncharov and Peter (2019)
	J.1 A.8	Who Consumes Firm Disclosures? Evidence from Earnings Conference Calls	Heinrichs <i>et al.</i> (2019)
	J.2 A.2	Why Do Individual Investors Disregard Accounting Information? The Roles of Information Awareness and Acquisition Costs	Blankespoor <i>et al.</i> (2019)
	J.4 A.2	The internet as an information intermediary	Drake <i>et al.</i> (2017)
	J.2 A.3	The Effects of Analyst-Country Institutions on Biased Research: Evidence from Target Prices	Bradshaw <i>et al.</i> (2019)
	J.2 A.7	International Mergers and Acquisitions Laws, the Market for Corporate Control, and Accounting Conservatism	Khurana and Wang (2019)
ai A	J.3 A.1	When does the peer information environment matter?	Shroff <i>et al.</i> (2017)

	J.3 A.2	Discussion of “When does the peer information environment matter?”	Matsumoto and Shaikh (2017)
	J.3 A.3	The evolution of 10-K textual disclosure: Evidence from Latent Dirichlet Allocation	Dyer et al. (2017)
	J.3 A.4	Discussion of “the evolution of 10-K textual disclosure: Evidence from Latent Dirichlet Allocation	Miller (2017)
	J.4. A.4	The impact of narrative disclosure readability on bond ratings and the cost of debt	Bonsall and Miller (2017)
	J.3 A.5	Commercial lending concentration and bank expertise: Evidence from borrower financial statements.	Berger et al. (2017)
	J.3 A.6	Are concentrated banks better informed than diversified ones?	Strahan (2017)
	J.3 A.9	Borrower private information covenants and loan contract Monitoring	Carrizosa and Ryan (2017)
	J.3 A.10	Discussion of “Borrower private information covenants and loan contract monitoring”	Nikolaev (2017)
	J.4 A.11	Block- holder exit threats in the presence of private benefits of control	Hope et al. (2017)
	Financial Auditing and Auditors’ Accountability		
Auditing	J.5 A.3	Understanding financial auditing from a service perspective	Knechel et al. (2020)
	J.1 A.9	Realigning Auditors’ Accountability: Experimental Evidence	Hurley et al. (2019)
	J.1 A.5	Audit Quality and Specialist Tenure	Gaver and Utke (2019)
	J.2 A.4	Effects of Increasing Enforcement on Financial Reporting Quality and Audit Quality	Ewert and Wagenhofer (2019)
	Managerial Beliefs and CEO Payment		
	J.3 A.11	Do common inherited beliefs and values influence CEO pay?	Ellahie et al. (2017)
	J.3 A.12	Discussion: Do common inherited beliefs and values influence CEO pay?	Cohen (2017)
	J.1 A.7	Executive Extraversion: Career and Firm Outcomes	Green et al. (2019)
Managerial Accounting	J.1 A.13	The Effects of Contract Framing on Misconduct and Entitlement	Nichol (2019)
	J.1 A.14	Interrelation of Controls for Autonomous Motivation: A Field Study of Productivity Gains Through Pressure Induced Process Innovation	Pfister and Lukka (2019)
	Operational Distortion and Unmanaged Earnings		
	J.2 A.1	Management by the numbers: A Formal Approach to Deriving Informational and Distributional Properties of “Unmanaged” Earnings	Hemmer and Labro (2019)
	J.1 A.2	Decreasing Operational Distortion and Surrogation Through Narrative Reporting	Bentley (2019)
	Capital Budgeting and Target Setting		
	J.4 A.13	Two-stage capital budgeting, capital charge rates, and resource constraints	Johnson et al. (2017)
	J.2 A.6	Relative Target Setting and Cooperation	Holzhaecker et al. (2019)
	J.5 A.4	Trust transfer and partner selection in interfirm relationships	Reusen and Stouthuysen (2020)
	Tax Planning		
Tax Accounting	J.4 A.12	Book-tax conformity and capital structure	Blaylock et al. (2017)
	J.4 A.3	An examination of firms’ responses to tax forgiveness	Shevlin et al. (2017)
	J.2 A.5	Banks as Tax Planning Intermediaries	Gallemore et al. (2019)
	J.1 A.11	The Effect of Analysts’ Disaggregated Forecasts on Investors and Managers: Evidence Using Pre-Tax Forecasts	Mauler (2019)

i) J.1 A.1= Journal No.1 and Article No.1

J.1= The Accounting Review (2019) Vol.94, No.3, J.2= Journal of Accounting Research (2019) Vol.57, No.1, J.3= Journal of Accounting and Economics (2017), Vol.64, No (2-3), J.4= Review of Accounting Studies (2017), Vol.22, No.2, and J.5= Accounting, Organizations and Society (2020) Vol.81.

الاتجاه الحديث في المحاسبة المالية وتأثيره على تخصصات المحاسبة الأخرى: مراجعة الأدبيات

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يهدف البحث إلى تسليط الضوء على مدى ترابط وتفاعل المحاسبة المالية مع الفروع المحاسبية الأخرى كالمراجعة والمحاسبة الإدارية والمحاسبة الضريبية. وقد اعتمد هذا البحث على مراجعة ٥٠ مقالة تم طباعتها في أعلى خمس مجلات تصنيفاً والتي تم نشرها في الفترة من ٢٠١٧ إلى ٢٠٢٠. وقد أوضحت الدراسات مدى التطور المستمر لمقومات البيئة المعلوماتية واستجابتها للنظرية الاقتصادية وتوحيد المعايير المحاسبية من خلال المعايير الدولية لإعداد التقارير المالية (IFRS) برغم من اختلاف الإطار القانوني المطبق بكل دولة؛ وأيضاً أثر هذه المعايير الدولية على جودة التقارير المالية. كما أظهرت أهمية القيم والمعتقدات الإدارية والتي تعظم من فرص الرئيس التنفيذي في تقديم خدمات لمجالس إدارة خارجية والتي من شأنها تعظيم أداء الشركات. إضافة إلى ذلك، إظهار أثر التخطيط الضريبي على قرارات التمويل عن طريق الاعتماد على القروض واستغلال الإعفاءات الضريبية التي تقرها الهيئات الضريبية. وأخيراً، تظهر الحاجة للأبحاث المستقبلية لدراسة التغير في مقومات البيئة المعلوماتية في ظل التحول الرقمي في مصر، إلى جانب مدى تفاعل أصحاب المصالح مع الخدمات أو المنتجات المالية الرقمية وخاصة في مجال المراجعة والخدمات الضريبية.

الكلمات الاسترشادية: الاقتصاد المالي، المعايير الدولية لإعداد التقارير المالية، الإفصاحات، جودة التقارير المالية، المعتقدات الإدارية، والتخطيط الضريبي.

