Mandatory financial reporting environment and voluntary disclosure: Evidence from mandatory IFRS adoption

April 12, 2013, 14h30, ISCTE-IUL, C301 (Building II)

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Karthik Balakrishnan studies the role of information in capital markets, empirical asset pricing and debt contracting. His research investigates the economic consequences of financial reporting and disclosure regulations at both the firm-level and the aggregate economy-level. Professor Balakrishnan earned his PhD and MPhil from New York University, MBA from Indian School of Business, Hyderabad, India and his undergraduate degree in engineering from the Regional Engineering College (NIT) Trichy, India.

[Abstract] Using the mandatory adoption of International Financial Reporting Standards (IFRS) as an exogenous improvement to mandatory financial reporting environment, we document evidence supporting a complementary effect between mandatory reporting environment and voluntary disclosure. We find that firms in countries that adopted IFRS in 2005 experience an increase in both the likelihood and frequency of management earnings forecasts relative to firms in countries that did not mandate IFRS. (...)