

A Comprehensive review of the Value Relevance of Accounting Information and The Role of Disclosure

Vahab Esfandani[‡], Reza Ahmadi[‡], Mohammad Amin Borghei[‡], Sara Ramzani[‡]

[‡] Gisma University of Applied Sciences, Potsdam, Germany

Corresponding author: Vahab Esfandani (vahab.esfandani@gmail.com)

Abstract

This review which presented at The Art and Science of Managing Performance Symposium on February 29, 2024 examines the evolving significance of value relevance of accounting information as a key component for managers and investors when making market decision. The examination of the significance of value relevance of accounting information provides robust analyses concerning the market's perception of accounting information and its role in decision making. Although considerable progress has been made to date in this well established area of research, the literature does not comprehensively elucidate or reach consensus on the fluctuations in value relevance over time. Furthermore, the effect of disclosure on value relevance of accounting information remains relatively an unexplored research topic. This review focuses on value relevance research from the two past decades, also incorporating seminal studies that trace their origins back to the late 1950s. We undertake a review of four streams within the value relevance literature: the significance of earnings and book values, the significance of other accounting information, effect of IFRS and IAS on Value Relevance of accounting information and the role of disclosure on value relevance of accounting information. Moreover, we show the different explanations put forth in the existing literature in an effort to clarify the variation in value relevance over time as well as perspectives for potential future inquiries into the relevance of value. In essence, this review provides readers with a comprehensive understanding of the literature on value relevance and also an introduction to this particular area of empirical accounting and business research.

Keywords

value relevance, accounting information, disclosure, review study

Presenting author

Vahab Esfandani

Presented at

The Art and Science of Managing Performance Symposium

Hosting institution

CABMR, Ascencia Business School, College de Paris INT'L

Conflicts of interest

The authors have declared that no competing interests exist.