

Properties of Optimal Accounting Rules in a Signaling Game

Xu Jiang, Ming Yang



PII: S0165-4101(16)30060-X  
DOI: <http://dx.doi.org/10.1016/j.jacceco.2016.07.004>  
Reference: JAE1121

To appear in: *Journal of Accounting and Economics*

Received date: 16 June 2014  
Revised date: 1 July 2016  
Accepted date: 7 July 2016

Cite this article as: Xu Jiang and Ming Yang, Properties of Optimal Accounting Rules in a Signaling Game, *Journal of Accounting and Economics* <http://dx.doi.org/10.1016/j.jacceco.2016.07.004>

This is a PDF file of an unedited manuscript that has been accepted for publication. As a service to our customers we are providing this early version of the manuscript. The manuscript will undergo copyediting, typesetting, and review of the resulting galley proof before it is published in its final citable form. Please note that during the production process errors may be discovered which could affect the content, and all legal disclaimers that apply to the journal pertain

# Properties of Optimal Accounting Rules in a Signaling Game\*

Xu Jiang

Fuqua School of Business, Duke University

xu.jiang@duke.edu

Ming Yang

Fuqua School of Business, Duke University

ming.yang@duke.edu

## Abstract

We characterize the properties of optimal accounting rules in a signaling game. An impatient firm sells shares to competitive investors. The firm can signal its private information about the fundamental by retaining a fraction of the shares. In addition, the firm can commit to disclosing information according to a set of accounting rules chosen ex ante. Information disclosure reduces signaling cost so that perfect disclosure is optimal. When perfect disclosure is impossible, the optimal accounting rule features a lower bound and a summary statistic of the fundamental. The interpretation of the lower bound is consistent with accounting conservatism, and the statistic summarizes the information most relevant to the firm's valuation. The justification for accounting conservatism relies on the existence of information asymmetry and the infeasibility of perfect accounting disclosure. This is consistent with the conjecture of LaFond and Watts (2008) that information asymmetry calls for accounting conservatism.

---

\*We thank Jeremy Bertomeu, Anne Beyer, Pingyang Gao, Wayne Guay, Nisan Langberg, Ivan Marinovic, Brett Trueman, an anonymous referee and participants at the Minnesota-Chicago Accounting Theory Conference and 2014 Financial Accounting and Reporting Midyear Conference for their helpful comments and suggestions. We appreciate Tim Gray for his excellent editorial assistance.

متن کامل مقاله

دریافت فوری ←

**ISI**Articles

مرجع مقالات تخصصی ایران

- ✓ امکان دانلود نسخه تمام متن مقالات انگلیسی
- ✓ امکان دانلود نسخه ترجمه شده مقالات
- ✓ پذیرش سفارش ترجمه تخصصی
- ✓ امکان جستجو در آرشیو جامعی از صدها موضوع و هزاران مقاله
- ✓ امکان دانلود رایگان ۲ صفحه اول هر مقاله
- ✓ امکان پرداخت اینترنتی با کلیه کارت های عضو شتاب
- ✓ دانلود فوری مقاله پس از پرداخت آنلاین
- ✓ پشتیبانی کامل خرید با بهره مندی از سیستم هوشمند رهگیری سفارشات