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Contents

## Abstract

An outline for a theory of financial statements is presented. Financial statements are viewed as products of both markets and political processes and the interactions among individuals and groups in these processes. Individuals are assumed to maximize their self-interests. Various hypotheses and data are provided to illustrate the theory. It relies heavily on theories of agency, economic regulation and public choice. At this stage, the theory has great promise in explaining the form and contents of financial statements. The theory contrasts with earlier "normative" theories of financial statements and offers an explanation for the forms they take.



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