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Reporting on financial derivatives –A Law and Economics perspective

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Abstract

Fearing Enron-like financial fiascos concerning derivatives, accounting standards boards have issued new standards aimed at promoting higher transparency and reducing information asymmetries. After persistent reluctance, and despite significant criticism, the pertinent International standard, with some exceptions, was finally adopted by the E.U., for the sake of intra-European and cross-Atlantic accounting harmonization, for which the standard constituted sine-qua-non. These reluctance and criticism are not unfounded, as the standards might paradoxically result in increased information asymmetries, not easily mitigated by additional disclosure, and ultimately resulting in distortion of capital allocation and corporate governance mechanisms. Suggestions for more efficient solutions are outlined herein.

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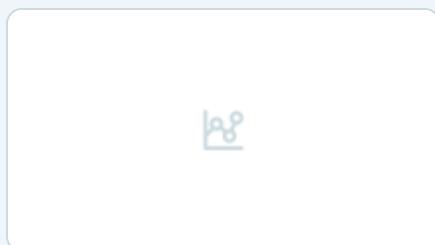
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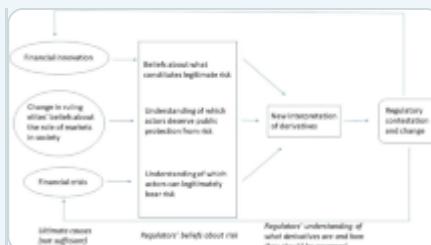
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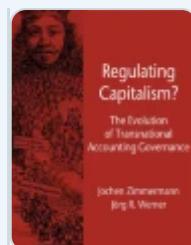
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