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# The effect of international institutional factors on properties of accounting earnings

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### Abstract

International differences in the demand for accounting income predictably affect the way it incorporates economic income (change in market value) over time. We characterize the `shareholder`™ and `stakeholder`™ corporate governance models of common and code law countries respectively as resolving information asymmetry by public disclosure and private communication. Also, code law directly links accounting income to current payouts (to employees, managers, shareholders and governments).

Consequently, code law accounting income is less timely, particularly in incorporating economic losses. Regulation, taxation and litigation cause variation among common law countries. The results have implications for security analysts, standard-setters, regulators, and corporate governance.



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## JEL classification

F00; F30; G15; M41

## Keywords

International accounting; Standard setting; Regulation; Conservatism

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