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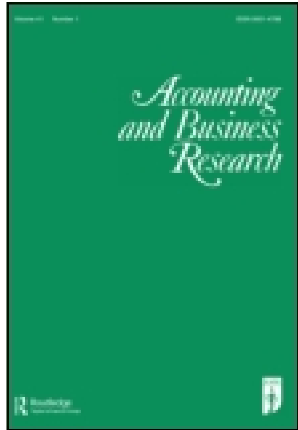

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Book Reviews

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Book Reviews

Organized Uncertainty: Designing a World of Risk Management. *Michael Power.* Oxford University Press, 2007. xviii and 248pp. ISBN 978-0-9-925394-4. £24.99.

As Power notes in the preface, 'another book on risk is a risky venture for any author'. This book stands apart from others, as it is Power's follow-up to his seminal work on *The Audit Society* (1997). In this instance, Power considers the emergent construction of audit through representations of the 'new reflexivity of organizations and organizing around risk management' (p. 4) and the 'objectivication' (p. 18) of new risk boundaries and management processes. This involves Power's identification of patterns in risk management practice as designs in the face of uncertainty and highlighting the need to recognise the caveats on which such constructions are grounded. I have little doubt this book will become a seminal reference for those engaged in the risk debate.

As Power recognises in the introduction, the book has been developed by piecing together a recent collection of his work. As such, the chapters appear as a collection of essays drawing together his work on themes such as 'The Invention of Operational Risk' (2005) and 'The Risk Management of Everything' (2004) and draws heavily on Power's research and advisory work with financial institutions and regulators. This design has the advantage of attracting potential readers on selected issues such as internal control, measurement, standardising risk management or governing reputation in addition to those committed to reviewing Power's broad treatise on the risk debate and auditability. With this in mind, Power's detailed introduction and chapter-by-chapter guidance directs the reader from the start to finish while carefully signposting attention to other work, both his own and that of others. His thoughtful conclusions on the construction of risk 'objects' and risk 'management processes' help to conceptually ground his extensive insights on practice and reflect on their implications for the 'moral' economy of risk management and contribution to an audience concerned with risk, auditability, and governmentality.

An interesting practice recognised by Power, is the current tendency for corporate managers to view engagement on corporate social responsibility (CSR) as an opportunity to improve shareholder value rather than a risk to reputation. This opportunity is created by a shift from a focus of risk analysis to risk governance that involves 'the "turning inside out" of organizations' (p. 29). Critiquing this practice, Power recognises CSR is founded on a premise that the so called 'moral economy' holds management accountable for the processes they design rather than any ethical sense of social or environmental accountability. Reading through Power's reference to requirements for risk disclosure, such as those contained within Basel 2 regarding regulation of risk by financial institutions, I wonder if this linguistic turn from risk to opportunity may also be an attempt to avoid risk disclosure.

The need for management to make decisions in the face of uncertainty is far from a new idea in the disciplines of accounting and finance. The particular contribution of this book is Power's reflection on governance that extends beyond the corporate boundary to the creation of a 'systems-theoretic' abstraction of auditable risk management processes within society. This places audit risk in the face of uncertainty within a broader debate on new public risk management that allows us to question the 'logics of democracy and managerial processes' (p. 19). In my mind, the book's greatest contributions are to synthesise Power's position on risk as a starting point from which to move beyond a risk agenda; and to question, for example, the congruence between claims of corporate and social/environmental governance by reflecting on the methodological assumptions underpinning risk management.

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Intellectual Capital Reporting: Lessons from Hong Kong and Australia. *J. Guthrie, R. Petty* and *F. Ricceri*. The Institute of Chartered Accountants of Scotland, 2007, vii and 118pp. ISBN 978-1-904574-27-9. £15

This monograph is a further contribution to the contemporary intangibles field published by the Institute as one element of its continuing interest in promoting debate about the future of business reporting. Its authors have been active in this field for a number of years, with Guthrie in particular having actively promoted intellectual capital research through both his own publications and via

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the *Accounting, Auditing and Accountability Journal* of which he is co-editor. As the title indicates, the authors provide empirical insights drawn from Hong Kong and Australia, where organisations engage in relatively high levels of intellectual capital disclosure.

Chapter one identifies a number of themes and developments that have informed the research reported in the monograph. The goal of the study is identified as being 'to further the understanding of when, and how, organisations voluntarily report their intellectual capital.' (p. 11). This informs the objective of 'apply[ing] some rigour to the investigation of the voluntary disclosure of intellectual capital by organisations in their annual reports' to provide much needed empirical evidence, which in turn gives rise to five interrelated aims of the study. The chapter concludes with a brief outline of the monograph's structure.

The second chapter provides an excellent overview of the development of intellectual capital reporting, and is of value to both general readers and specialists alike. Regulated reporting in Austria and Denmark is initially outlined, reinforcing the credibility of the Intellectual Capital Statement approach developed in the latter country during the past decade. The authors continue by discussing voluntary reporting practices as they have evolved in Australia, Japan and in other parts of Europe. The absence of any reference to the UK situation is addressed in a section that links intellectual capital reporting with recent debates about the utility of a Management Commentary approach, where there is a brief discussion of the abandoned initiative to introduce an enhanced Operating and Financial Review requirement and its replacement by a Business Review.

Entitled 'A brief literature review', the following chapter covers some of the same ground, albeit by making reference to scholarly contributions rather than professional guidelines, frameworks and regulations. Incorporated in this chapter is a discussion of three theoretical perspectives as they relate to voluntary and statutory reporting: legitimacy theory; stakeholder theory; and institutional theory. The limitations of a simple valuation perspective on intellectual capital are briefly identified and compared to alternative ideas on how to capture (and report) intellectual capital growth, together with some thinking on the better classification of intellectual capital itself.

The case for the authors' chosen research approach, a content analysis of annual reports, takes up three pages of Chapter four on the research design of the study, which also briefly documents the two countries investigated and the range of intellectual capital reporting media. The results of the analysis itself are reported in Chapter five. These need to be read in conjunction with Appendix A, which provides some definitional details of the principal components of the intellectual capital concept, together with examples of these as encountered within the sample of annual reports analysed. The principal findings are that Australian organisations disclose more information on intellectual capital than Hong Kong organisations, although the latter discloses more information on human capital. The greatest part of these disclosures is narrative in form, a practice that the authors believe makes performance assessment more problematic. Larger organisations disclose more information than smaller organisations; since this disclosure is entirely voluntary in both countries, large organisations will continue to play a vanguard role in intellectual capital reporting.

The monograph concludes with a brief résumé of the principal findings of the study, followed by an affirmation that it is desirable for there to be some movement towards international standardisation of intellectual capital reporting, preferably by means of mandatory requirements. It is envisaged that organisations will continue to engage in voluntary disclosure practices, since these often serve their own interests. More research is necessary on why to report, what to report and how (best) to report it, providing information that should inform any future regulatory developments. A 15-page list of references is included at the end of the monograph, which is prefaced by an Executive Summary.

While welcoming this contribution to the literature, for me the monograph raises a number of important issues. Initially I am disappointed by the very limited amount of new empirical information reported here. A total of 150 organisations' annual reports were analysed, of which only two (Australian) failed to report anything about 18 elements of intellectual capital. The table on p. 63 indicates that a total of 2,900 items of intellectual capital were reported by these 148 organisations, yet this only translates into 15 pages of findings, excluding those included in Appendix A. One possible explanation is that the actual references to intellectual capital uncovered were so sparse that it was difficult to construct a longer story. This links to a second concern I have about the study, namely the use of content analysis. I do not seek to dissuade researchers from using content analysis, nor deny that it has been used to some effect by earlier researchers in this and the related field of social and environmental accounting and reporting. In my own view, however, using content analysis where there is a low likelihood of relevant content being reported is inevitably going to result in limited findings. Consequently, I would encourage researchers interested in embracing social scientific research designs to consider field studies, and carrying out interviews with participants in leading

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edge organisations. This in turn leads to a third concern, that of only scrutinising intellectual capital reporting within annual reports and similar statutory accounts. Given the context of largely voluntary external reporting, it seems reasonable that more insights might be gained from analysing internal reporting documents and interviewing those who are responsible for their production. Finally, and in my own view most significantly, it is interesting to note that both Australia and Hong Kong would appear to be some way ahead of the UK in both reporting on intellectual capital and, based on the list of references presented here, researching this field.

For those already interested in intellectual capital and intangibles, this monograph is a very worthy addition to the literature. Whether it helps promote the increased research effort needed to inform policy change is quite a different matter.

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The Routledge Companion to Fair Value and Financial Reporting. *P. Walton* (ed.). Routledge, 2007. xviii and 404 pp. ISBN 978-0-415-42356-4. £95.

This was intended as a conventional review of an edited collection of essays on a single topic, namely fair value accounting. However it has emerged as a comment not only on fair value but also on financial reporting more generally, in the context of fair value. The editor is a respected international accounting academic and journalist. The topics of fair value (FV) and fair value accounting (FVA) arguably are significant issues affecting contemporary financial accounting standards. The editor rightly observes the paucity of literature on FV and FVA – despite their considerable presence in reporting practice. The 26 contributors are well-known in their communities. There are 12 academics, six accounting standard-setters, and eight practitioners from public accountancy, investment, and finance. Most of the contributors have relevant experience in more than one of these areas and they come from four geographical regions. There are 10 from the UK, nine from Continental Europe, four from the Pacific Rim, and three from North America. The topic is examined from different perspectives (e.g. theoretical, practical, historical, and empirical) and there are inevitable differences in style and depth of analysis.

The text is described as a work of reference and a handbook. For this reason, the review process should be relatively straightforward. Read each chapter, take notes, describe and comment briefly on each chapter, and end with an overview containing a recommendation regarding use and purchase. However, despite its defined focus on FV and FVA, the text has been challenging to review. This is not because of what the contributors say about FV and FVA. Much of the text material is constructive, sensible, relevant, and readable. As in similar studies, some chapters are outstanding and others will have shorter shelf lives. The problem for this reviewer has been what the contributors inadvertently or explicitly say about the wider topic of the current state of corporate financial reporting theory and practice. In other words, the text is not just about FV and FVA. It is also about corporate financial reporting. For this reason, the text deserves a more critical review than normal.

Before proceeding to the review, some general comments are appropriate. There is a strong recommendation that the text ought to be in every university and technical library. I would strongly encourage library acquisition and hope that recommendations for purchase will not be constrained by the price. It is understandable that publishers need to be profitable and that short print runs inevitably mean daunting prices in a world accustomed to deep discounts by supermarkets and online bookshops. However, there is also a positive correlation between longer print runs, higher sales, and lower prices. The text should be of considerable use to anyone concerned to learn about the nature, role, practices, and problems of FV and FVA at the beginning of the 21st century. The editor and publisher are to be congratulated for their efforts in bringing FV and FVA into the more general financial reporting literature. Nevertheless, there are certain drawbacks to the text:

- Potential readers are warned about the degree of repetition of subject matter. It is extensive and has been acknowledged by the editor – raising the question of why it has remained so high and explicit.
- There is a distinct European bias in the contributions as nearly three-quarters are from the European Union. Given the prominence of FV and FVA in North America, a more balanced presentation would have been ideal – but perhaps there are few American academics (particularly) who are interested in the topic beyond its modelled impact on such matters as information asymmetry, agency costs, and bankruptcy prediction.
- The reader gets a clear impression that, in some of the (mainly academic) contributions the topic brief has been manipulated to present their views on an aspect of the current state of financial reporting theory and practice they feel passionate about.

What follows is a discussion of what the contributions reveal about the current state of FV and

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FVA specifically and corporate financial reporting more generally.

Need for financial accounting theory

The text contributions clearly reflect the confused and confusing state of corporate financial reporting today. Recent practice developments such as FV and FVA have taken place virtually in the absence of a coherent theoretical structure to justify their use in reports. Since the abandonment of normative and prescriptive accounting thought in the academic accounting literature by the early 1980s due to the advocacy for a more scientific approach by American researchers such as Watts and Zimmerman,[1] accounting standard-setters such as the FASB and the IASB do not appear to have been unduly aware of, influenced by, or interested in the large body of theoretical literature that had accumulated in the 1960s and 1970s on matters such as current valuation. For this reason, it is interesting to observe how the contributors to this text approached FV and FVA from a theoretical stance. Obviously, there are some contributions that by their very nature do not demand theoretical perspectives. Ten are specifically categorised as dealing with practice issues. However, of the remainder, five refer to the nature and role of FV and FVA and 11 are categorised explicitly by the editor as theoretical.

Judged by the normative and prescriptive standards of the best of accounting theory in the 1960s and 1970s, most of the theoretical chapters pay lip service to theory. With a few exceptions, they prefer to look at FV and FVA through the vague conceptual framework lens of reporting characteristics such as relevance and reliability. These characteristics are typically poorly defined and there is little detailed discussion of decision user needs and FV and FVA. Nor are FV and FVA adequately discussed in terms of reliably representing socially-constructed realities.[2] More germane to current practice globally, the theoretical contributions make no mention at all of the association between FV and FVA and reporting quality labels such as true and fair view and fair presentation.[3]

Inevitably in these circumstances, the theoretical discussion is limited and lacking in depth. For example, FV is typically discussed by means of a favourite approach of accounting standard-setters – i.e. by considering definitions, rules, exclusions, and problems. More specifically, the case for FV is made with reference to attributes defined by definitions and principles enunciated in conceptual frameworks. The case against FV is made because it appears feasible only in ideal economic markets or because it has no apparent theoretical background, and is therefore inferior to alternative approaches such as mixed values using deprival value or a combination of book value and the present value of super profits. Alternatively, FV is argued as a surrogate for current economic value or as a means of closing the numerical gap between book value and market value. Individual entity circumstances are claimed to justify the use of mixed values rather than FV despite the additivity problem, and various empirical studies are used to suggest FV reduces informational asymmetry, takeovers, investment returns, political costs, and accounting manipulation while increasing audit difficulty. Only in two contributions are there attempts to get back to fundamental theoretical notions such as measurement and what FV is attempting to measure.

A curious aspect of the text, given the interpretation of FV by the FASB and IASB in terms of exit values, is that with one exception there is no detailed mention of exit value theories of financial accounting advocated by writers such as Chambers[4] and Sterling,[5] nor of the unified system of financial reporting using exit values proposed and tested by The Institute of Chartered Accountants of Scotland.[6] Instead, the theoretical contributions that can be truly labelled as such prefer to examine FV and FVA in the context of entry values modified by other current values, and use normative advocates of these systems such as Edwards and Bell[7] and Baxter.[8] Perhaps this is because accountants have become used to observing financial reporting as a predominantly entry value system (i.e. using historical costs modified by current values). Alternatively, it may be the result of a profound dislike of the idea of a complete system of exit values – i.e. that there is preference for an incoherent mixed value system over a coherent exit value one.

Whatever the explanation for the theoretical approach of its contributors, this text reflects two disturbing features about theoretical thinking associated with corporate financial reports – first, there is a widespread inability to examine a practical issue such as FV and FVA with associated theories (as distinct from conceptual frameworks) and, second, an unwillingness by the more sophisticated theoretical commentators to consider from a theoretical perspective the extension of a limited use of exit values (as in FV) to a unified system of exit value accounting. If financial accounting practice is incomplete and incoherent, then so too is financial accounting theory.

Current state of financial reporting practice

The practical issues surrounding FV and FVA are discussed by the contributors in the context of a corporate financial reporting system based in practice on a mixture of values (i.e. historical costs, present values, and current market prices) and determined by a combination of objective observation and subjective forecast and estimate. FV and FVA in current practice give the perception that they are recent and more objective additions to this

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mix and appear to have a considerable presence in practice. However, in reality, and as some of the text contributors recognise, FV and FVA have a relatively limited role at present (i.e. predominantly with the exit valuation of financial assets and liabilities) and have existed in exit value form for many years in conventional practice (e.g. when allocating acquisition costs or acting as a floor in the lower of cost or market rule). FV and FVA are therefore not novel and do nothing to diminish the clarity of the current chaotic, incoherent, and incomplete state of corporate financial reporting practice.

What are less clear from the contributions of this text are the historical origins of FV (and therefore FVA). They appear to have arisen in a US Supreme Court case in 1898 of *Smyth v Ames*.[9] The case is mentioned in the text but the case specifics are not. The case concerned the setting of rates or prices by publicly regulated utilities such as railroad companies. In this case, because of falling replacement costs, the railroad company claimed it was unfair to use replacement costs as the basis to set prices and that historical costs should be used instead. The Interstate Commerce Commission (ICC) and the Supreme Court disagreed and replacement cost or entry value was used as a fair valuation for rating purposes. A burgeoning literature appeared in the economic and engineering communities.[10] Interestingly, the ICC later switched its preference to historical costs as fair value when determining utility rates. Also of interest in the current text under review is that certain contributors interpreted FV in terms of entry values and were therefore consistent with the historical, economic, and legal roots of the concept at the end of the 19th century and early decades of the 20th century.

The practical contributions to this text highlight other issues of practice. For example, FV and FVA appear to accentuate rather than diminish the additivity issue in financial reporting (i.e. the inability of accountants to derive meaningful report totals associated with income, assets, liabilities, and capital from a mixture of disparate values). Some of the contributors evoke old arguments to justify the use of different values as surrogates for a common value (e.g. as in deprival value theory[11] and current cost accounting practice in the 1970s and 1980s).[12] However, claiming that six apples, four pears, and two oranges are 12 fruits does not necessarily provide a relevant and reliable total.

Further, as several of the contributors reveal, FV and FVA add to conventional accounting subjectivity because they involve a hierarchy of value precision – ranging from observable and independent market prices in extensive and well-regulated markets for assets intended for sale, to subjective forecasts and guesses in situations involving no markets and no desire to sell assets. The issues in this respect are not only for preparers and users but also for auditors. The audit dimension of FV and FVA is explored in one chapter of the text primarily from the perspective of audit approach and procedures associated with risk and uncertainty assessment and materiality. The association of FV and FVA to the auditor's opinion on the truth and fairness or fair presentation of reported information is not mentioned in this text.

The text contributions do contain commentary on the notion that FV and FVA affect different companies and industries in different ways. For example, the financial reports of banks and insurance companies involve predominantly financial assets and liabilities and appear more amenable to FV and FVA. To the contrary, manufacturing concerns with asset structures of plant, equipment, and inventories are much less affected. Several contributions also signal one of the most vexed problems in current financial reporting practice – i.e. assets omitted from reported financial statements (particularly internally generated intangibles). Companies have market values and individual company assets have market values. It is possible to add the latter and subtract the total from the former and claim the difference as the market value of goodwill. However, this is over-simplistic and ignores the issue of the interaction of assets within corporate business operations. Thus, in a perverse way, FV and FVA appear to make this issue more rather than less intractable because of the obvious difficulties not only of recognising intangible assets but of representing them with reliable accounting numbers. Finding a FV for an asset that has been internally created rather than acquired seems to be a problem ignored by most of these contributors. Their discussions imply that FV and FVA can be credibly discussed within the context of acquired assets only. This would suggest an inadequate understanding in practice of the need to properly define periodic income and related capital. In other words, much of the practical discussion about FV and FVA in this text concerns the representation of assets (and liabilities). It has little to say about their recognition.[13] Issues such as the representational faithfulness of FV cannot be meaningfully discussed unless there is a prior discussion of what is to be recognised for purposes of representation by FVA.

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[1] R Watts & J Zimmerman, *Positive Accounting Theory* (Prentice Hall, Englewood Cliffs: NJ, 1986).

[2] See T A Lee,'The FASB and Accounting for Economic Reality," *Accounting in the Public Interest*, 6, 2006, 1–21.

[3] See D Alexander & S Archer, 'On Economic Reality, Representational Faithfulness, and the "True and Fair Override"', *Accounting and Business Research*, 33 (1), 3–17.

[4] R J Chambers, *Accounting, Evaluation and Economic*

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[5] R R Sterling, *Theory of the Measurement of Enterprise Income* (University of Kansas Press, Kansas City: KA, 1970).

[6] P N McMonnies, *Making Corporate Reports Valuable* (Institute of Chartered Accountants of Scotland, Edinburgh, 1988).

[7] E O Edwards & P W Bell, *The Theory and Measurement of Business Income* (University of California Press, Berkeley: CA, 1961).

[8] W T Baxter, *The Case for Deprival Value* (Institute of Chartered Accountants of Scotland, Edinburgh, 2003).

[9] M Chatfield, 'Smyth v Ames', in M Chatfield & R Vangermeersch (eds), *The History of Accounting: an International Encyclopaedia* (Garland Publishing, New York: NY, 1996, 563)

[10] For example, C L King, 'What is Fair Value?' *Survey*, 11 December 1915, 305; Anonymous 'Utility Does Not Receive a Fair Valuation When Cost of Physical Property Alone is Considered,' *American Gas Engineering Journal*, 17 November 1917, 454–5; H H Hartman, *Fair Value: the Meaning of the Application of the term 'Fair Valuation' as Used by Utility Commissions*, Houghton Mifflin, Boston: MA, 1920; E A Saliers, 'Cost, Fair Value, and Depreciation Reserve', *American Economic Review*, June, 1920, 272–82.

[11] See Baxter (2003), *op cit*.

[12] For example, 'Current Cost Accounting', *Statement of Standard Accounting Practice 16*, Accounting Standards Committee, London, 1980.

[13] See R R Sterling, 'An Essay on Recognition', *R J Chambers Research Lecture*, University of Sydney, Sydney, 1985.

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UK Reporting of Intellectual Capital. *Jeffrey Unerman, James Guthrie* and *Ludmila Striukova*. ICAEW Centre for Business Performance, 2007. 68 pp. ISBN 978 1 84152 507 5. £20.

This research, funded by ICAEW's Centre for Business Performance, reports the results of an empirical study of intellectual capital (IC) reporting. The importance of the knowledge economy and of IC is increasingly recognised. Value added by manufacturing businesses in the UK has decreased steeply since 1995, whereas distribution and services account for more than 50% of gross value added in that period. It is therefore important to effectively report for IC aspects of business performance. However, given their intangible nature, reporting these assets in a relevant and reliable way is challenging. This important study will assist businesses in getting to grips with the financial reporting issues involved.

A tripartite approach is adopted, distinguishing between internal (structural) capital, external (relational) capital and employee competencies (human capital). Chapter 2 contains a comprehensive and up-to-date review of the literature.

Two methods of analysis are applied in the study: content analysis and in-depth interviews. The study is based on a relatively small sample of 15 companies. However, this small sample generated an amazing 2,676 IC disclosures.

Sample companies are selected based on size and industry. Companies were selected from the FTSE 100, FTSE 250 and FTSE small cap markets. Four sectors were chosen: two with substantial IC – software/information technology and pharmaceuticals/biotechnology. Real estate/ultilities were selected as the third sector because they are likely to have substantial tangible assets and little IC. The fourth sector, retailing, was expected to have a 'medium' amount of IC.

Content analysis was based on 20 sub-categories of IC disclosures. The unit of analysis is IC disclosure (number of disclosures) rather than volume of disclosure (number of words, etc.). Following Steenkamp and Northcott (2007), it is not completely clear whether the unit of analysis is based on words, sentences, themes, etc. Also, the researchers do not distinguish between the recording units (disclosures to be counted) compared with the context units (in order to classify the recording unit).

The corporate reports chosen for analysis were broader than prior studies, being all reports and web pages on a company website other than consumer direct-sales web pages.

A careful, systematic and comprehensive approach to analysing the interview material is taken based on O'Dwyer (2004). The authors use a software package, NVivo, to electronically track and collate the interview material. Six themes were used to structure the analysis: IC in annual reports, diversity in disclosure vehicles, role of different media as communications vehicles, aptitude of analysts in interpreting IC disclosures, standardisation of IC disclosures, and drawbacks in disclosing IC. The interview results chapter contains over 70 quotes from the interview data.

Reflecting the likely audience – business people rather than academics – results are generally reported using pie charts and bar charts rather than tables of results as would be the case in a refereed journal article. Disclosures around customers and distribution channels were found to be most frequent. As one would expect, larger companies were found to disclose more. Somewhat surprisingly, the retail sector disclosed the most, while IC disclosures in the real estates/utilities sector were similar to those in the software/information technology sector. Web pages were found to contain the most IC disclosures, with annual reports coming a close second. The majority (80 per cent) of IC disclosures were qualitative. Most quantitative disclosures were non-monetary.

The interviews threw up some interesting findings. The importance of annual reports as vehicles for disclosing new information is in decline. Interviewees commented that analysts would react negatively were annual reports to contain much new information. (Does this finding raise issues around insider information?). Another downside of annual reports with interviewees is their lack of readability. One-to-one meetings with analysts are

considered the best way of communicating IC value drivers, with press releases also being highly regarded. If companies communicate with key investor groups primarily through face-to-face meetings, it would suggest that accounting researchers need to move away from content analysis based on narrative disclosures to research based on verbal communications by managers. The policy implications for the accounting profession and regulators arising from the shift in reporting from traditional annual reports are discussed.

The audience for IC website disclosures is not necessarily investors – customers and potential recruits are also relevant. Interviewees expressed doubts about the ability of analysts, about their lack of knowledge about the companies they follow, and their lack of understanding of the importance of IC drivers. Accounting research assumes institutional investors are 'sophisticated'. The findings in this research monograph imply that such a broad assumption may not be valid. Interviewees were of the view that IC disclosures should not be regulated, but some additional guidance on effective disclosure of such information would be welcome. Drawbacks in disclosing IC are identified, including the availability of the information to competitors, the risk that investors would misinterpret the information and the downside of overloading investors with too much information.

This is a solid, rigorous piece of research – a must-read for researchers in this field. Five areas for further research are suggested at the end of the report – a useful list for researchers coming to this field for the first time.

Apart from the quality of the research, the report is readable – clearly and professionally structured, with an attractive presentation style.

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