
Working Paper Series

14/16

WHICH FINANCIAL REPORTING STANDARDS DOES THE EUROPEAN UNION NEED?

VERA PALEA and PAOLO PIETRO BIANCONE

"Which Financial Reporting Standards Does the European Union Need?"

Vera Palea*, Department of Economics and Statistics Cagnetti de Martiis, University of
Torino

Paolo Pietro Biancone, University of Torino, Department of Management

ABSTRACT

This paper challenges the idea that financial reporting is risk-neutral to economy and society.

Indeed, accounting is not simply a metric; it is, rather, a calculative practice that shapes the socio-economic environment. Financial reporting affects a great variety of constituencies: not only market actors such as firms, investors, bankers and auditors but also ordinary citizens, employees and states, as financial information serves as a basis for determining a number of rights. It serves, for instance, to set the limit for distributable profits, to elaborate public budget and for tax purposes.

In tackling this issue, the paper therefore considers risk related to financial disclosure not at a firm, but at a systemic level, highlighting the role of financial reporting in driving economy over the long run.

KEYWORDS: Accounting, European Union, IFRS

JEL Classification: M41 accounting; A12 relation of economics to other disciplines; Z13 economic sociology

* Campus Einaudi, Lungo Dora Siena 100/A, Italy, phone +390116703897, fax +39 0116703895, email: vera.palea@unito.it