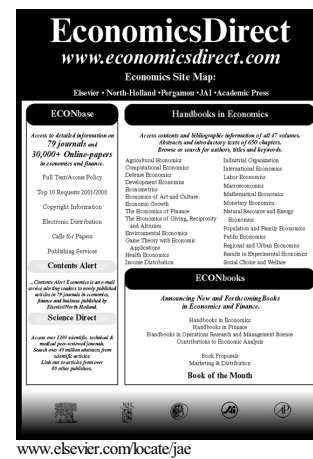


Do Managers Really Guide Through the Fog? On the Challenges in Assessing the Causes of Voluntary Disclosure

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Abstract

Guay, Samuels, and Taylor (2016) document that firms with longer and more complex 10-Ks provide relatively more voluntary disclosure, which they interpret as evidence that managers use voluntary disclosure to mitigate negative effects of complex mandatory disclosure. We review the results of Guay et al. and focus on two main challenges to inferring causality: (1) the coincidence of upward over-time trends in annual report length, complexity, and voluntary disclosure, and (2) the potential for omitted correlated variables, such as changes in firm economics, to drive changes in 10-K textual characteristics and voluntary disclosure. While the results in Guay et al. are extensive and robust, we argue that economic drivers of, and trends in, voluntary disclosure present important avenues for future research.

Keywords

Voluntary Disclosure; Financial Statement Complexity

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