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ACCOUNTING INFORMATION AND VALUES, THE CASE OF EXTRACTIVE ACTIVITIES

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Leaving apart the discussion of whether financial statements should primarily serve the investors information needs, I examined how accounting information disclosed by oil and gas companies affect market prices. I thereby adopt a different angle as that of the successful versus full cost debate of the 1980s, which concentrated on the accuracy of accounting capitalization methods. Moreover and for the first time, a longitudinal study with a period of 11 years is preferred to most commonly conducted cross-sections analysis. Therefore, common with those studies is the use of an econometric model. Following some previous researchers and thanks to its ability to enclose past, present and forward looking information, the Ohlson's model is chosen for testing value relevance. Findings suggest that context i.e. economic conditions moderate the value relevance of accounting disclosure and that no disclosure can be deemed universally relevant, i.e. relevant in all contexts. However, sub-samples characterized by high or low oil prices indicate that market perceives vanilla like options on proven reserves. This result allows the capture of the assumptions behind the numbers perceived and integrated by investors. It also allows demonstrating that investors who think of their investment when considering a range of possible outcomes versus a deterministic view. Such findings address many issues of interest to companies, regulators, and standard setters. If the research is concentrated on oil and gas, it can easily be replicated to many extractive activities. My work opens some tracks for addressing investors' needs and disclosure but also impairment issues.

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