

Exploration on the Perception of Accounting from an Analytical Perspective

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Abstract: *This study provides a focused and analytical overview of the financial accounting literature, specifically examining accounting valuation. The main areas of interest include the implied costs of equity capital, empirical accounting proxies, and frictions in accounting theory. The author contends that accounting research in these domains often exhibits complacency and a dearth of rigorous analysis. Complacency in the field of financial accounting undermines research innovation and impedes the long-term viability of accounting academia. The examples addressed in this paper encompass various issues, such as structural modelling and model falsifiability. It also examines the problem of determining whether a firm is overpriced or underpriced using valuation models that do not consider such phenomena. Additionally, it discusses the arbitrary combination of two unrelated models, one for valuation and one for the discount rate. Furthermore, it highlights the failure to acknowledge the empirical limitations caused by risk-neutral valuation models when estimating costs of capital. Lastly, it explores the use of the same model for both valuation and discount purposes*

Keywords: Financial accounting, accounting study, cost of capital, perception