

Study on the Analytical Perspective on Accounting

Rinku Pal¹ and Komal Sahani²

Assistant Professor, BAF, Suman Education Society's LN College, Borivali East, Mumbai, India¹

Student, BAF, Suman Education Society's LN College, Borivali East, Mumbai, India²

Abstract: *This paper offers a selective, analytical review of the financial accounting literature, with a primary focus on accounting valuation, including implied costs of equity capital, empirical accounting proxies, and frictions in accounting theory. This author believes that accounting research in these areas is frequently too complacent and lacks critical thinking. In the field of financial accounting, complacency distorts research innovation and hinders the long-term sustainability of accounting academia. The examples discussed in this paper include (but are not limited to) the issue of structural modelling and model falsifiability; determining whether a firm is overpriced or underpriced based on valuation models that do not account for such phenomena; arbitrarily "merging" two disparate models, one for valuation and one for the discount rate; failing to recognise the empirical limitations induced by risk-neutral valuation models in estimating costs of capital; and employing the same model for valuation and discount.*

Keywords: Financial accounting, accounting research, cost of capital.

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