Should financial reporting reflect firms’ business models? What accounting can learn from the economic theory of the firm

The business model concept has drawn increasing attention since the late 1990s, partly driven by the opportunities for new Internet ventures and their need to explain to potential investors how they planned to generate sustained value. But this concept seems to be also helpful in describing how established firms have found new sources of value creation and/or capture. On the basis of a Special Issue published on the Journal of Management and Governance this track aims to focus the attention on the capacity of the Financial Reporting to reflect the firms’ business models and to make the case for an approach of measurement in financial reporting based on firms’ business models. Recently the IASB Board has issued a press release on Investment Entities (amendments to IFRS 10, IFRS 12, and IAS 27). In this amendment project it was emphasized the role played by the business purpose in a specific sector and the performance of its investments. Moreover, this track aims to focus the attention on the role of the narrative sections of the annual report to disclose the firms’ business models. Recently the IASB Board has also issued the IFRS practice statement Management Commentary. The latter provides a context within which to interpret the financial position, financial performance and cash flows of an entity. It also provides management with an opportunity to explain its objectives and its strategies for achieving those objectives.

Many questions arise and require to be addressed:
- what is correct meaning of the term “business model”;
- how can business model research rejuvenate the field of financial reporting?
- which business model approach to measurement?;
- historical cost method versus market price measurements;
- is the term “business model” suitable for a measurement purpose?
- where users prefer historical cost or current value information, can this be explained in terms of the firms’ business models?
- how far are different measurement requirements in existing accounting standards based on different business models, and is standard setters’ use of a business-model approach increasing or decreasing?
- how far do different revenue recognition practices reflect differences in firms’ business models?
- how far do differences between firms in their disclosures reflect differences in their business models (a) in their financial reporting? (b) in their non-financial reporting?
- how far do differences between firms in their disclosures depend on the type of innovation underlying firms’ business models?
- if firms’ reporting should reflect their business models, is this equally true for information for valuation purposes and information for contracting purposes?
- is the business model what should be understood and thus disclose within the narrative sections of the annual report?
- how do listing companies actually deal with disclosure of their business model in the narrative sections of the annual report?
- how far do accountants in business, auditors and users of accounting information develop career specialisations based on understanding the accounting for particular business models?

**Special issue:** scholars are invited to submit papers according to the previous description. Submission Due Date: March 1st, 2014

Track invited speakers:
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- Carlo Bagnoli
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