I have been asked to review research in the area of financial accounting and reporting policy and to discuss prospects for related dissertation work. Since the time available is only about 40 minutes, I shall concentrate my remarks on the major research problems in this area instead of an item-by-item review of specific research studies.

The literature on accounting policy can be divided into three categories. Because these three categories are roughly separated in time, we could also see them as three stages in the evolution of policy research. For ease of reference, I shall assign a label to each stage: external criterion research to the first, efficient market research to the second, and welfare economics research to the third. Let us start with the external criterion research.