Security Markets and Accounting Standards: Lessons from Research

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Abstract. We can think about organization as a set of contracts among people seeking their own goals, and accounting as a means of implementing these contracts. This perspective takes “a crude look at the whole” of accounting and its function in organizations. Business firms draw their resources from many markets including the capital market. During the last two decades we have discovered how individual behavior does and does not affect markets, how information is disseminated in a market from one trader to another in the process of trading, how information production must be paid for, and the consequences of the existence of insiders in a market for aggregate efficiency as well as distributive efficiency of the firm.