

## Financial Instruments Disclosure: A Review of the Literature

**Authors :** Y. Tahat, T. Dunne, S. Fifield, D. Power

**Abstract :** Information about a firm's usage of Financial Instruments (FIs) plays a very important role in determining its financial position and performance. Yet accounting standard-setters have encountered problems when deciding on the FI-related disclosures which firms must make. The primary objective of this paper is to review the extant literature on FI disclosure. This objective is achieved by surveying the literature on: the corporate usage of FIs; the different accounting standards adopted concerning FIs; and empirical studies on FI disclosure. This review concludes that the current research on FI disclosure has generated a number of useful insights. In particular, the paper reports that: FIs are a very important risk management mechanism in ensuring that companies have the cash available to make value-enhancing investments, however, without a clear set of risk management objectives, using such instruments can be dangerous; accounting standards concerning FIs have resulted in enhanced transparency about the usage of these instruments; and FI-related information is a key input into investors' decision-making processes. Finally, the paper provides a number of suggestions for future research in the area.

**Keywords :** financial instruments, financial reporting, accounting standards, value relevance, corporate disclosure

**Conference Title :** ICAF 2015 : International Conference on Accounting and Finance

**Conference Location :** Amsterdam, Netherlands

**Conference Dates :** May 14-15, 2015