Disclosure and determinants studies: An extension using the divisive clustering method (DIV)

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Abstract

Disclosure and determinants studies have been extensively carried out in past accounting research. However, they have one major methodological drawback: the disclosure analysis in these studies is often limited to the determination of the disclosure index, i.e. the sum of disclosed items, weighted or unweighted. The disclosure profile (which reflects the-structure of published information) is generally not'used in the research design. The objective of this paper is to introduce a divisive (descendant) clustering method which splits the sample into homogeneous sub-groups corresponding to disclosure patterns (or profiles), for clearer determination of the financial characteristics of each group. This methodology is illustrated by a study of disclosure on provisions by large French firms. The results show that the disclosure pattern is related to provision intensity, size, leverage, profit and market expectation, but not to return and industry. This new research method is a valuable complement to expand on disclosure and determinants studies, moving from disclosure levels to disclosure patterns.