

Invisible Ownership and Accounting Recognition Failure: Valuation Premiums, Goodwill, and the Limits of Disclosure in M&As and IPOs

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Abstract

This study develops the concept of invisible ownership to explain why economically controlled intellectual, institutional and social resources influence corporate valuation while remaining outside formal accounting recognition. Using transaction-level evidence from acquisitions of Egyptian listed targets and initial public offerings on the Egyptian Exchange (EGX), documented through EGX disclosures and Financial Regulatory Authority (FRA) filings, the study constructs a multidimensional invisible ownership measure and tests its associations with valuation premiums and post-acquisition goodwill, alongside the moderating role of disclosure. The evidence indicates that invisible ownership is positively associated with valuation premiums and goodwill intensity after controlling for firm and transaction characteristics. High-quality disclosure attenuates these relationships but does not eliminate them, demonstrating that narrative transparency cannot fully substitute for recognition. The findings reinterpret goodwill and pricing premiums as systematic manifestations of representational incompleteness rather than unexplained valuation residuals. The study extends recognition theory, improves the interpretation of transaction prices and supports a more disciplined reporting framework for economically significant unrecognised resources.

Keywords: Invisible Ownership, Accounting Recognition, Intangible Resources, Corporate Valuation, Valuation Premiums, Goodwill, Disclosure Quality, Mergers and Acquisitions, Initial Public Offerings, Fair Value, Intellectual Capital, Recognition Failure.

Introduction

Background and Context

Corporate value creation has shifted from tangible assets towards knowledge, organisational capabilities and stakeholder relationships. Modern firms derive economic benefits from intellectual capital, institutional routines and social legitimacy, although these resources remain largely absent from recognised accounting numbers [1-3]. This transformation has widened the divergence between book values and transaction valuations and weakened the capacity of financial statements to explain corporate value [4, 5]. Recognition principles privilege legal enforceability, observable transactions and verifiable measurement over economic substance [6]. Leaving proprietary knowledge, organisational know-how and reputational capital outside recognised assets [7].

The tension becomes especially visible in Egypt during mergers

and acquisitions (M&As) involving Egyptian listed targets and initial public offerings (IPOs) on the Egyptian Exchange (EGX), where transaction documentation is disclosed through the EGX and overseen by the Financial Regulatory Authority (FRA). The acquisition setting includes domestic transactions and cross-border acquisitions by Saudi Arabian and United Arab Emirates acquirers of Egyptian listed companies. Valuers and investors incorporate expected benefits from unrecognised resources into prices, although those resources are missing from pre-transaction statements [8, 9]. Recent initiatives promote narrative and value-creation disclosures [10, 11], but disclosure may not substitute for recognition when markets and contracts depend on standardised accounting measures [12].

Research Problem Statement

The study addresses a systematic misalignment between economic ownership and accounting recognition. Firms may con-

control intellectual, institutional and social resources, restrict others' access and obtain future benefits, yet accounting excludes them when they lack separability, contractual embodiment or sufficiently reliable measurement [13]. This is not merely a measurement difficulty; it is a representational boundary privileging legal form and transaction-based evidence over economically meaningful control. During M&As and IPOs, markets nevertheless price excluded resources, producing valuation premiums, substantial goodwill allocations and persistent gaps between recognized net assets and transaction values [14]. This opacity weakens fair value interpretation and obscures whether goodwill represents economic ownership, expected synergies or overpayment. The unresolved problem is therefore how invisible ownership can be measured and connected to observable valuation outcomes without sacrificing reliability.

Research Objectives and Questions

The study reconceptualises economically controlled but unrecognised resources as invisible ownership and tests how they shape transaction valuation. It constructs a multidimensional measure covering intellectual, institutional and social ownership; examines its association with valuation premiums and post-acquisition goodwill intensity; and assesses whether disclosure mitigates these effects without eliminating the recognition gap.

Accordingly, the study asks: (1) Why do recognition rules exclude economically material ownership resources? (2) Is invisible ownership positively associated with valuation premiums in M&As and IPOs? (3) Does it increase goodwill recognised in acquisitions? and (4) To what extent does high-quality disclosure attenuate these relationships?

Research Significance and Contributions

Declining value relevance may reflect incomplete accounting representation rather than irrational market pricing [15, 16]. Transaction events, where reported numbers, private information and forward-looking expectations converge, provide observable stress tests of recognition boundaries and clarify why disclosure reforms alone may be insufficient [17].

The research makes four contributions. First, it integrates intellectual, institutional and social resources within a unified invisible-ownership construct, extending research that treats intangible drivers separately. Second, it interprets goodwill and valuation premiums as manifestations of recognition failure rather than neutral residuals [18]. Third, it connects financial reporting theory with transaction-level valuation and positions M&As and IPOs as empirical recognition tests [19]. Fourth, it distinguishes disclosure's information role from recognition's representational and contractual role, generating implications for preparers, auditors, valuers and standard setters.

Structure of the Study

The remainder of the paper proceeds as follows. Section 2 reviews recognition, intangible-resource, goodwill, disclosure and valuation literature. Section 3 develops the framework and hy-

potheses. Section 4 explains the sample, variables and empirical models. Section 5 reports the results and robustness tests. Section 6 discusses the findings and implications. Section 7 concludes, acknowledges limitations and identifies future research.

Literature Review and Theoretical Foundations

The Recognition Gate: When Economic Control Remains Unrecorded

Accounting recognition determines which economic phenomena enter financial statements. Although contemporary frameworks emphasise control, future benefits and reliable measurement, their application in knowledge-intensive firms is contested. Firms may control knowledge, organisational routines and relational resources, yet their non-contractual character and measurement uncertainty prevent recognition. Recognition thus enhances verifiability while excluding economically substantive ownership.

When major value drivers remain unrecorded, performance and net assets become less capable of explaining market valuations. The problem exceeds imperfect data because recognition embodies normative choices about financial reporting's representational scope. Invisible ownership captures economically controlled intellectual, institutional and social resources that generate benefits but fail the recognition gate.

Goodwill: Residual Number or Repository of Excluded Value?

The asymmetry between acquired and internally generated intangibles exposes the problem. Acquired identifiable intangibles can enter the balance sheet, whereas comparable internally developed capabilities remain excluded. This impairs comparability and shifts attention towards goodwill.

Goodwill is conventionally the residual between consideration and identifiable net assets. A recognition-failure perspective instead treats it as a repository for ownership value that was priced but not separately recognised. Its growth relative to acquired net assets intensifies interpretability concerns. Weak correspondence between impairment and subsequent performance suggests that goodwill aggregates heterogeneous premiums rather than a coherent asset. Narrative reporting can explain the residual but cannot reproduce recognition's benchmarking and contracting functions [20].

Transaction Events as Recognition Stress Tests

Mergers and acquisitions (M&As) and initial public offerings (IPOs) make invisible ownership observable. Prices capitalise expected benefits from innovation, organisational scalability and reputation beyond recorded assets [21, 22]. These events therefore stress-test what accounting omits when information demand is greatest.

In acquisitions, premiums are only partly explained by target book values, while strategic and innovation-related information materially shapes negotiations [23, 24]. In IPOs, limited reporting histories amplify the incompleteness of conventional accounting signals, especially among knowledge-intensive

issuers [25, 26]. Investors consequently rely on management quality, innovation capacity and relational networks [27, 28]. This translation of qualitative assessments into price makes invisible ownership measurable through valuation premiums and, after acquisitions, goodwill intensity. Valuation uncertainty rises when recognised numbers omit central value drivers, widening dispersion and reliance on judgement [29]. Transaction prices may therefore reveal a systematic mismatch between accounting representation and economic valuation.

Two Information Systems That Do Not Fully Converge

Accounting and valuation follow different logics. Accounting prioritises standardisation, verifiability and stewardship, whereas valuation assesses expected economic potential [30]. Valuation compensates for recognition constraints through premiums and residual allocations.

Disclosure provides a partial bridge. Voluntary and narrative information can reduce uncertainty about strategy, human capital and relationships, but lacks the contractual force and cross-firm comparability of recognised numbers [31]. Accordingly, richer disclosure may weaken the association between invisible ownership and unexplained valuation outcomes without eliminating it. If valuations remain dependent on excluded ownership even under strong disclosure, the problem lies in recognition boundaries rather than a simple shortage of information [32].

Four Theoretical Lenses on One Representational Failure

Recognition theory explains invisibility as the outcome of thresholds that selectively admit economic phenomena into financial statements. Those thresholds incorporate judgements about reliability and representational purpose, not economic importance alone. Institutional theory explains their persistence: standard setters respond to conservatism, enforcement capacity, comparability and legitimacy, favouring verifiable contractual claims even when representational completeness declines [33, 34].

Value relevance theory captures the declining association of earnings and book values with market valuation where intangibles dominate value creation [35, 36]. Information asymmetry theory explains why participants substitute private analysis, judgement and disclosure for missing recognised information [37, 38]. These substitutes facilitate pricing but increase subjectivity. Together, the four lenses predict that invisible ownership surfaces in premiums and goodwill, while disclosure mitigates, but does not remove, these effects.

From Parallel Literatures to an Integrated Research Gap

Prior research has examined recognition, intangibles, goodwill, disclosure and valuation mainly as parallel conversations. It documents excluded resources, rising goodwill, incomplete accounting signals and disclosure benefits, but does not integrate them into a transaction-level explanation of how economic ownership becomes priced while remaining unrecognised. Nor does it systematically compare M&A and IPO settings as distinct manifestations of the same recognition boundary.

This study closes that gap by combining recognition, institutional, value relevance and information asymmetry theories around a single mechanism: accounting recognition failure. It treats valuation events as empirical tests, invisible ownership as the excluded economic substance, premiums and goodwill as observable outcomes, and disclosure as an incomplete mitigating mechanism. This synthesis moves the debate from a general critique of intangible accounting towards testable relationships developed in the next section.

Proposed Theoretical Model and Hypothesis Development Invisible Ownership as an Accounting Construct

Conventional recognition favours legal enforceability, transaction observability and measurement reliability. These qualities support comparability, yet they increasingly underrepresent value creation based on knowledge and relationships. The proposed model defines invisible ownership as economically controlled resources that generate expected benefits but remain outside formal recognition. Unlike a generic intangible-assets category, it combines three ownership dimensions: intellectual ownership, reflected in proprietary knowledge and innovation capability; institutional ownership, embedded in routines, governance and operational know-how; and social ownership, embodied in reputation, trust and relational capital.

Economic control exists because firms organise access, deployment and benefit capture through internal systems even without separable legal rights. However, recognition thresholds treat weak contractual embodiment and uncertain measurement as exclusion grounds. Invisible ownership is therefore not economically invisible; it is made accounting-invisible by normative representational boundaries designed to protect conservatism and auditability.

Valuation Events as the Revealing Setting

Mergers and acquisitions (M&As) and initial public offerings (IPOs) reveal the economic content of excluded ownership. Transaction prices incorporate anticipated cash flows from technological capability, organisational scalability and reputation beyond recognised net assets. The explanatory power of book values and recognised earnings is especially limited for innovation-intensive targets and issuers. Thus, valuation events function as recognition stress tests: markets monetise resources that financial statements omit, while valuers rely on judgement and forward-looking evidence.

Architecture of the Proposed Model

The model rests on three propositions. First, intellectual, institutional and social resources form a higher-order invisible ownership construct. Second, accounting recognition failure creates a gap between recorded net assets and economically controlled resources. Third, transaction pricing internalises that gap through valuation premiums and, in acquisitions, post-transaction goodwill. When excluded resources are economically material, markets compensate for incomplete representation by incorporating their expected benefits into prices.

Figure 3.1 presents the proposed model. The three dimensions

combine into an Invisible Ownership Index (IOI). The accounting recognition gap provides the explanatory channel through which IOI influences valuation premiums and goodwill intensity. Disclosure quality is positioned as a negative moderator

of both outcome paths: it can reduce uncertainty about unrecognised resources, but cannot eliminate the underlying absence of recognition [39].

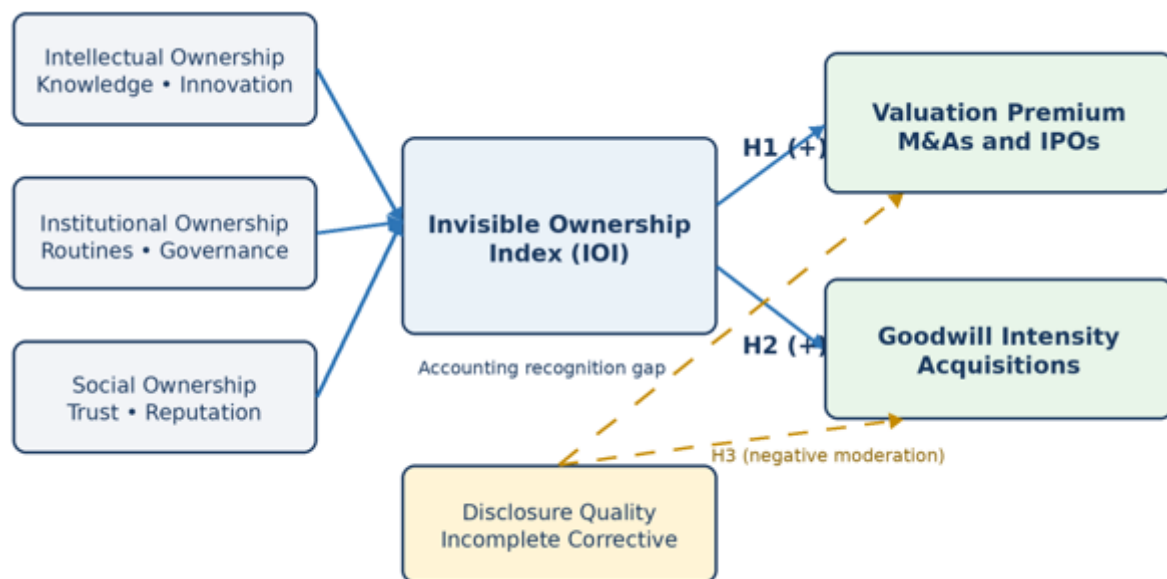


Figure 3.1: Proposed invisible ownership and accounting recognition model

Note: Solid arrows represent direct effects (H1–H2); dashed arrows represent the attenuating role of disclosure quality (H3).

Pricing the Recognition Gap: Hypothesis H1

Transaction value that exceeds recognised net assets may include synergies, expectations and bargaining effects; nevertheless, persistent premiums among firms rich in innovation and organisational capability indicate systematic pricing of excluded ownership. Recognition theory predicts that economically controlled resources surface through market valuation when financial reporting does not record them. The first hypothesis is therefore:

H1: Invisible ownership is positively associated with valuation premiums in M&As and IPOs.

Statistically, H1 requires $\beta_1 > 0$ in:

$$\text{PREM}_i = \beta_0 + \beta_1 \text{IOI}_i + \sum \beta_k \text{CONTROL}_{ki} + \text{IndustryFE} + \text{YearFE} + \epsilon_i.$$

PREM is the transaction premium relative to recognised net assets, and IOI is the composite invisible ownership measure. A positive and significant β_1 indicates that pricing incorporates ownership value excluded from accounting recognition.

Goodwill as the Accounting Landing Point: Hypothesis H2

Acquisition accounting provides a second observable outcome. When transaction consideration includes resources that cannot be separately recognised, the unexplained allocation enters goodwill. Goodwill can therefore operate as an accounting repository for invisible ownership rather than a coherent standalone asset. This reasoning yields:

H2: Invisible ownership is positively associated with goodwill intensity in acquisition transactions.

H2 requires $\gamma_1 > 0$ in:

$$\text{GW}_i = \gamma_0 + \gamma_1 \text{IOI}_i + \sum \gamma_k \text{CONTROL}_{ki} + \text{IndustryFE} + \text{YearFE}$$

$+ v_i,$

where GW is recognised goodwill divided by total consideration. A positive γ_1 supports the view that greater invisible ownership leaves a larger transaction value share outside identifiable net assets.

Disclosure as an Incomplete Corrective: Hypothesis H3

Management commentary and voluntary reporting can communicate strategy, innovation, human capital and stakeholder relationships. Richer disclosure reduces information asymmetry and valuation uncertainty [40]. However, disclosure lacks recognition's standardisation, contractual force and benchmarking role. Even under regulatory scrutiny, narrative information cannot convert excluded resources into recognised net assets [41]. Accordingly:

H3: Disclosure quality negatively moderates, but does not eliminate, the positive associations of invisible ownership with valuation premiums and goodwill intensity.

The moderated specifications add $\text{IOI}_i \times \text{DISC}_i$. H3 predicts $\beta_3 < 0$ and $\gamma_3 < 0$, while the conditional IOI effects remain positive: $\partial \text{PREM} / \partial \text{IOI} = \beta_1 + \beta_3 \text{DISC} > 0$; $\partial \text{GW} / \partial \text{IOI} = \gamma_1 + \gamma_3 \text{DISC} > 0$.

This statistical formulation distinguishes mitigation from substitution. Significant negative interaction coefficients show attenuation; positive conditional marginal effects show that disclosure does not erase recognition failure.

Testable Synthesis

The proposed framework converts a broad critique of intangible accounting into three falsifiable propositions. H1 tests whether

invisible ownership is capitalised in transaction premiums; H2 identifies goodwill as its post-acquisition accounting manifestation; and H3 tests whether disclosure compresses, but does not close, the recognition gap. Together, the hypotheses locate accounting recognition failure—not presumed market irrationality—as the central explanation for recurring valuation gaps. Chapter 4 operationalises the constructs, sample and models required to test this architecture.

Methodology and Research Design

Research Setting and Unit of Analysis

This study examines whether ownership resources excluded from recognition become visible when firms are priced in mergers and acquisitions (M&A) or initial public offerings (IPOs). A transaction-level design is appropriate because each event provides a price, a pre-event accounting base, and evidence about intellectual, institutional, and social ownership. Such events reveal resources that routine statements may not recognize. The

design combines archival measurement with structured content analysis of an economically important but unobservable construct.

The population comprises completed M&A events involving Egyptian listed targets and IPOs admitted to trading on the Egyptian Exchange (EGX) between 2015 and 2024. Cross-border status is defined only for acquisitions and identifies transactions in which a Saudi Arabian or United Arab Emirates acquirer purchases an Egyptian listed target. The transaction is the unit of analysis, while the acquired or listed firm supplies pre-event information. Observations must disclose transaction value, recognized net assets, and materials needed to construct both indices. Financial institutions, utilities, reverse takeovers, withdrawn offerings, and transactions lacking comparable statements are excluded. Table 4.1 documents sample screening and analytical allocation.

Table 4.1: Sample Screening and Analytical Composition

Screening stage	M&A	IPO	Total	Retention
Initially identified events	510	282	792	100.00%
Less: duplicates / repeated records	-31	-16	-47	94.10%
Less: withdrawn or incomplete events	-19	-19	-38	89.30%
Less: regulated-sector exclusions	-54	-18	-72	80.20%
Less: unavailable comparable reports	-38	-23	-61	72.50%
Less: missing core variables	-20	-14	-34	68.20%
Final analytical sample	348	192	540	68.20%
Knowledge-intensive industries	226	137	363	67.2% of final
Other industries	122	55	177	32.8% of final

Note: Parentheses indicate exclusions. M&A = mergers and acquisitions; IPO = initial public offering.

Data Architecture and Sample Construction

Transaction data are drawn from Egyptian Exchange (EGX) announcements and prospectuses and Financial Regulatory Authority (FRA) disclosures, and are reconciled to purchase-price allocations, annual reports, and other official transaction filings. Multiple sources permit verification of event date, consideration, accounting acquirer, book values, and goodwill. Minimum size and document-availability rules retain economically meaningful

observations and follow valuation-event research. The sample is stratified by event type and industry intangible intensity because IPO pricing faces public-market scrutiny, whereas M&A pricing is negotiated and subjected to acquisition accounting. Effects should be stronger where innovation, organization, reputation, and networks are central. Table 4.2 sets out sources, timing conventions, and validation rules.

Table 4.2: Data Architecture, Timing, and Validation Protocol

Empirical input	Primary source	Measurement date	Cross-check	Validation rule
Transaction value	Deal database	Announcement / offer date	Regulatory filing	Difference $\leq$ 1%
Recognized net assets	Audited statements	Last fiscal period before event	Prospectus / PPA	Reconcile components
Goodwill	Purchase-price allocation	First completed PPA	Post-deal annual report	Same accounting acquirer
Intellectual ownership	Annual report; patent data	Years t-3 to t-1	Prospectus	At least two indicators

Institutional ownership	Annual / governance reports	Years t-3 to t-1	Transaction filing	Consistent coding window
Social ownership	Narrative filings	Years t-3 to t-1	Independent media / filing	Documented evidence
Disclosure quality	Prospectus / deal filing	Information available at event	Regulatory archive	Two-coder protocol
Control variables	Financial statements; database	Fiscal year t-1	Alternative vendor	Tolerance <= 2%

Note: PPA = Purchase-Price Allocation; t denotes the valuation-event year.

Construct Operationalization

Invisible ownership is represented by a multidimensional Invisible Ownership Index (IOI). Its intellectual dimension combines R&D intensity, innovation indicators, and brand-building expenditure; its institutional dimension captures organizational capital, workforce continuity, governance routines, and process stability; and its social dimension reflects customer persistence, alliances, supplier continuity, reputation, and stakeholder relationships. These resources explain valuation beyond recognized assets [42]. Indicators are winsorized, standardized within year and industry, aligned, and averaged within dimensions. Equal weighting is the baseline; principal-component and leave-one-in-

dicator-out scores are alternatives.

Valuation premium (VP) equals transaction value less recognized net assets, scaled by their absolute value. Goodwill intensity (GW) equals goodwill divided by total consideration for acquisitions. Disclosure quality (DQ) is a hand-coded index covering strategy, innovation, human capital, stakeholder relationships, specificity, quantification, and verifiability. Two coders independently score a subsample and reconcile differences. Table 4.3 provides definitions, expected directions, scaling, and sources, preserving the distinction between valuation and recognition.

Table 4.3: Operational Definitions and Measurement Map

Variable	Code	Operational measure	Scale / treatment	Expected role
Invisible Ownership Index	IOI	Mean of intellectual, institutional, and social dimension scores	Standardized; winsorized 1/99	Primary predictor (+)
Intellectual ownership	INT	R&D, innovation/patent, and brand-building indicators	Within industry-year z-score	IOI dimension (+)
Institutional ownership	INS	Organizational capital, workforce continuity, routines, process stability	Within industry-year z-score	IOI dimension (+)
Social ownership	SOC	Customer, alliance, supplier, reputation, stakeholder indicators	Within industry-year z-score	IOI dimension (+)
Valuation premium	VP	(Transaction value - recognized net assets) / recognized net assets	Continuous; alternative log/rank	H1 outcome
Goodwill intensity	GW	Recognized goodwill / total consideration	0-1; M&A only	H2 outcome
Disclosure quality	DQ	Seven-category content score / maximum available score	0-1; mean-centered	Moderator (- interaction)
Firm controls	X_F	Size, ROA, leverage, growth, recognized intangibles	Lagged one fiscal year	Covariates
Deal controls	X_D	Deal size, cash payment, Saudi/UAE-acquirer cross-border indicator (M&A only), event type, Egyptian market conditions	Event-specific	Covariates

Empirical Specifications and Hypothesis Tests

H1 is tested by using $VP_i = \beta_0 + \beta_1 IOI_i + \beta_k Controls_i + industry + year \text{ fixed effects} + error_i$, where a positive β_1 supports the predicted valuation effect. H2 uses the M&A subsample and replaces VP with GW; a positive IOI

coefficient indicates that invisible ownership is absorbed into the residual acquisition-accounting category. H3 augments both equations with DQ and $IOI \times DQ$. A negative interaction coefficient, combined with a positive conditional IOI effect, indicates attenuation rather than elimination. This interpretation is consis-

tent with disclosure research distinguishing improved information from formal recognition.

Controls include size, profitability, leverage, growth, recognized intangibles, transaction size, payment method, Egyptian market conditions, event type, and industry intangible intensity. For the

M&A subsample, a cross-border indicator distinguishes acquisitions by Saudi Arabian or United Arab Emirates acquirers from acquisitions by Egyptian acquirers. Predictors are mean-centered before interactions. Models use firm-clustered robust errors plus industry and year fixed effects. Table 4.4 maps each hypothesis to its equation, sample, coefficient criterion, and decision rule.

Table 4.4: Hypothesis-to-Model Alignment and Statistical Decision Rules

Test	Dependent variable	Core specification	Sample	Support criterion
H1	VP	$VP = \beta_0 + \beta_1 IOI + \beta_K$ Controls + FE + error	M&A + IPO; N=540	$\beta_1 > 0$; $p < .05$
H1a	VP	Baseline + $IOI \times IPO$	Full sample	Positive marginal effects in both events
H2	GW	$GW = \gamma_0 + \gamma_1 IOI + \gamma_K$ Controls + FE + error	M&A; N=348	$\gamma_1 > 0$; $p < .05$
H3-VP	VP	Baseline + $\beta_2 DQ + \beta_3 IOI \times DQ$	M&A + IPO	$\beta_3 < 0$; IOI effect remains > 0
H3-GW	GW	Baseline + $\gamma_2 DQ + \gamma_3 IOI \times DQ$	M&A only	$\gamma_3 < 0$; IOI effect remains > 0
Economic magnitude	VP / GW	Effect of one-SD increase in IOI	Matched sample	Report percentage change + 95% CI
Fixed effects	VP / GW	Industry FE + year FE	All applicable models	Joint FE significance reported
Inference	VP / GW	Firm-clustered heteroskedasticity-robust SE	All models	Two-tailed tests; $\alpha = .05$

Note: FE = Fixed Effects; SE = Standard Errors; CI = Confidence Interval; SD = Standard deviation.

Diagnostics, Identification, and Robustness

Descriptive statistics, Pearson and Spearman correlations, variance-inflation factors, influence diagnostics, and residual tests precede hypothesis testing. Leverage and Cook's distance identify influential events. Because selection and ownership intensity may be endogenous, no experimental causality is claimed. Identification is strengthened through controls, fixed effects, propensity-score reweighting, and entropy balancing [43].

Robustness tests use dimension-specific and principal-component scores, transformed premiums, alternative goodwill scalars, exclusions of crisis years and extremes, and separate event subsamples. Quantile regression, two-way clustering, and bootstrap intervals assess sensitivity. For H3, marginal effects are evaluated at low, median, and high DQ. Table 4.5 consolidates diagnostics, threats, remedies, and thresholds.

Table 4.5: Diagnostic, Identification, and Robustness Matrix

Risk / objective	Diagnostic	Primary threshold	Remedy / alternative	Reported evidence
Distributional influence	Studentized residual; Cook distance	$ r < 3$; $D < 4/N$	Robust regression; exclude influential events	Coefficient stability
Multicollinearity	Variance-inflation factor	$VIF < 5$	Center predictors; dimension models	Max / mean VIF
Heteroskedasticity	Breusch-Pagan / White tests	$p \geq .05$ preferred	HC3 and clustered SE	Robust p-values
Selection imbalance	Standardized mean difference	$ SMD < 0.10$	Entropy balancing / propensity weights	Pre/post balance
Index dependence	Alpha; composite reliability; PCA	$\alpha \geq .70$; $CR \geq .70$	Dimension and PCA scores	Loadings; variance explained
Coding reliability	Krippendorff alpha	$\alpha \geq .80$	Reconciliation and coder retraining	Agreement by category
Functional form	RESET; residual plot	RESET $p \geq .05$	Logs, ranks, splines, quantile regression	Alternative values

Event heterogeneity	Subsample / interaction tests	Stable coefficient sign	M&A, IPO, industry splits	Difference tests
Time shocks	Crisis-year exclusions	Stable inference	Exclude 2020 and high-volatility years	Sensitivity range
Inference sensitivity	Two-way clustering; bootstrap	95% CI excludes zero	1,000 bootstrap replications	Alternative CI / p-value

Reliability, Validity, and Reproducibility

Construct validity is supported by mapping every indicator to one ownership dimension and requiring convergent results across alternative IOI constructions. Internal consistency is evaluated with Cronbach's alpha and composite reliability; dimensionality is examined using exploratory factor diagnostics. Content validity is strengthened through a coding manual and expert review, whereas reliability is assessed through duplicate coding and Krippendorff's alpha. Common-source risk is limited because outcomes, accounting inputs, and narrative disclosures are obtained from different documents or dates.

All transformations, exclusions, scoring decisions, and models are retained in a reproducible audit trail. Results report coefficients, clustered errors, confidence intervals, economic magnitudes, adjusted R-squared values, and sample sizes. Triangulation across constructs, events, provides a disciplined test of whether premiums and goodwill reflect recognition boundaries and whether disclosure only partially corrects them. The proto-

col also establishes a direct bridge to Chapter 5: every reported statistic corresponds to a predefined construct, sample, model, or diagnostic in Tables 1-5. This alignment prevents post hoc reinterpretation and permits the final evidence to be replicated and independently audited without altering the study's theoretical logic or hypothesis structure.

Empirical Findings and Results

Sample Profile and Distributional Evidence

The reported analytical sample contains 540 valuation events associated with Egyptian firms: 348 mergers and acquisitions involving Egyptian listed targets and 192 initial public offerings on the Egyptian Exchange during 2015-2024. Knowledge-intensive industries represent 67.2% of observations, consistent with unrecognized intellectual, institutional, and social resources being most consequential where formal assets incompletely describe productive capacity. Table 5.1 presents the event, industry, and temporal composition.

Table 5.1: Sample Composition by Event Type, Industry Intensity, and Period

Partition	M&A	PO	Total	Share
Full sample	348	192	540	100.00%
Knowledge-intensive	226	137	363	67.20%
Other industries	122	55	177	32.80%
2015-2017	91	48	139	25.70%
2018-2020	104	57	161	29.80%
2021-2024	153	87	240	44.50%

Note: M&A = Mergers and Acquisitions; IPO = Initial Public Offering.

Valuation premiums display substantial dispersion after winsorization. Goodwill represents a material share of acquisition consideration, while the Invisible Ownership Index (IOI) varies sufficiently for multivariate testing. Disclosure quality (DQ) is higher for IPOs, plausibly reflecting prospectus requirements.

Table 5.2 reports statistics for the dependent, explanatory, moderating, and control variables. These patterns accord with evidence that accounting numbers are least complete in intangible-intensive settings.

Table 5.2: Descriptive Statistics for Principal Variables

Variable	N	Mean	SD	Median	P25	P75	Min	Max
VP	540	1.384	0.821	1.207	0.786	1.794	0.112	4.921
GW	348	0.426	0.171	0.411	0.301	0.541	0.071	0.862
IOI	540	0	1	-0.041	-0.671	0.643	-2.218	2.691
INT	540	0	1	-0.052	-0.638	0.622	-2.174	2.744
INS	540	0	1	0.018	-0.655	0.671	-2.306	2.581
SOC	540	0	1	-0.013	-0.661	0.649	-2.241	2.623

DQ	540	0.633	0.148	0.642	0.532	0.746	0.214	0.941
Size (ln assets)	540	7.812	1.286	7.766	6.931	8.674	4.518	11.203
ROA	540	0.087	0.061	0.079	0.046	0.121	-0.091	0.284
Leverage	540	0.418	0.194	0.409	0.271	0.552	0.041	0.893

Note: VP = Valuation Premium; GW = Goodwill Intensity; IOI = Invisible Ownership Index; DQ = Disclosure Quality.

Associations and Model Diagnostics

Pearson correlations provide initial support. IOI is positively associated with valuation premium (VP) and goodwill intensity (GW), while its dimensions remain distinct. DQ is modestly

associated with IOI and the outcomes, indicating that disclosure conveys information but does not replicate recognition. Table 5.3 reports correlations and variance-inflation factors. The largest VIF is below five, reducing multicollinearity concerns.

Table 5.3: Correlations and Multicollinearity Diagnostics

Variable	VP	GW	IOI	INT	INS	SOC	DQ	VIF
VP	1							-
GW	0.382***	1						-
IOI	0.541***	0.487***	1					2.41
INT	0.462***	0.401***	0.781***	1				2.18
INS	0.429***	0.392***	0.746***	0.438***	1			2.06
SOC	0.417***	0.376***	0.721***	0.402***	0.421***	1		1.94
DQ	0.184***	0.121**	0.226***	0.198***	0.167***	0.151***	1	1.37
Size	0.232***	0.194***	0.119**	0.091*	0.127**	0.083*	0.206***	1.52

Note: Pearson correlations are below the diagonal. * $p < .10$; ** $p < .05$; *** $p < .01$. VIFs are from the full baseline model.

The positive IOI-VP association is materially stronger than the association between VP and recognized intangible intensity. Similarly, GW relates more strongly to IOI than to profitability or book-based growth measures. These results reinforce the separation between valuation information and accounting representation emphasized by Barth. Because bivariate evidence cannot isolate transaction and firm characteristics, conclusions are based on the multivariate models that follow.

Invisible Ownership and Valuation Premiums

Table 5.4 reports the tests of H1. Adding IOI to the control-only specification produces a positive, statistically significant coefficient and a notable increase in adjusted explanatory power. A one-standard-deviation increase in IOI is associated with a 0.432 increase in scaled valuation premium in the baseline specification. The result survives inclusion of industry and year fixed effects, firm-clustered robust errors, transaction controls, and separate ownership dimensions. Intellectual, institutional, and social ownership each enter positively, demonstrating that the composite result is not attributable to one dimension.

Table 5.4: Regression Analysis: Invisible Ownership and Valuation Premium (H1)

Predictor	(1) Controls	(2) IOI	(3) Dimensions	(4) Event interaction	(5) IOI quartiles
IOI	-	0.432***(-0.044)	-	0.391***(-0.049)	-
INT	-	-	0.211***(-0.041)		
INS	-	-	0.174***(-0.039)	-	-
SOC	-	-	0.156***(-0.037)		
IOI x IPO	-	-	-	0.118**(-0.051)	-
IOI Q2	-	-	-	-	0.183**(-0.078)
IOI Q3	-	-	-	-	0.361***(-0.083)
IOI Q4	-	-	-	-	0.584***(-0.091)
Controls / FE	Yes	Yes	Yes	Yes	Yes
N	540	540	540	540	540

Adjusted R-squared	0.310	0.472	0.486	0.481	0.459
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Note: Dependent variable is VP. Firm-clustered robust standard errors are in parentheses. ** p < .05; *** p < .01.

The IOI effect remains positive in both event types and is stronger for IPOs, where shorter histories amplify reliance on forward-looking resources. Premiums rise monotonically across IOI quartiles. The evidence supports H1 and is consistent with transaction prices capitalizing benefits unavailable in recorded net assets.

Invisible Ownership and Goodwill Recognition

H2 is tested on the 348 acquisitions for which purchase-price

allocation is observable. As shown in Table 5.5, IOI is positively related to GW after controlling for size, profitability, leverage, growth, recognized intangibles, deal size, payment method, the Saudi/UAE-acquirer cross-border indicator, industry, and year. The coefficient remains significant when goodwill is scaled by total assets or equity and when ownership dimensions replace the aggregate index. Adjusted model fit also improves when IOI is introduced.

Table 5.5: Regression Analysis: Invisible Ownership and Goodwill Intensity (H2)

Predictor	(1) Controls	(2) IOI	(3) Dimensions	(4) GW/assets	(5) GW/equity
IOI	-	0.168*** (0.022)	-	0.143*** (0.025)	0.191*** (0.031)
INT	-	-	0.081*** (0.020)	-	-
INS	-	-	0.064*** (0.019)	-	-
SOC	-	-	0.057*** (0.018)	-	-
Deal size	0.041** (0.018)	0.027* (0.016)	0.025 (0.016)	0.031* (0.018)	0.038* (0.021)
Controls / FE		Yes	Yes	Yes	Yes
N		348	348	348	348
Adjusted R-squared		0.374	0.389	0.351	0.336

Note: Columns 1-3 use GW/consideration; columns 4-5 use alternative scalars. * p < .10; ** p < .05; *** p < .01.

This evidence identifies goodwill as a destination of value priced but not separately represented before acquisition. It does not imply that all goodwill is invisible ownership; synergies, bargaining, overpayment, and measurement limitations remain possible. The stable association instead indicates that recognition boundaries contribute systematically to residual allocation, consistent with research on goodwill's aggregation of heterogeneous resources. H2 is supported.

Table 5.6 presents interaction and conditional marginal effects for H3. The interaction between IOI and DQ is negative for both VP and GW, indicating that richer disclosure attenuates the capitalization gap. Nevertheless, the marginal IOI effect remains positive and statistically significant at low, median, and high DQ. The magnitude declines as DQ increases but does not approach zero. Disclosure therefore improves the information environment without converting narrated resources into recognized assets.

Disclosure as a Partial Moderator

Table 5.6: Disclosure Moderation and Conditional Marginal Effects (H3)

Outcome	Coefficient	Robust SE	Low DQ	Median DQ	High DQ
VP: IOI	0.441***	0.046	-	-	-
VP: DQ	-0.091*	0.052	-	-	-
VP: IOI x DQ	-0.178***	0.058	-	-	-
VP: marginal IOI effect	-	-	0.512***	0.441***	0.370***
GW: IOI	0.174***	0.024	-	-	-
GW: DQ	-0.042*	0.023	-	-	-
GW: IOI x DQ	-0.071**	0.029	-	-	-
GW: marginal IOI effect	-	-	0.202***	0.174***	0.146***
Controls / industry-year FE	Yes	-	Yes	Yes	Yes

Note. Low and high DQ equal one standard deviation below and above the mean. * p < .10; ** p < .05; *** p < .01.

This distinction is central: disclosure can reduce uncertainty and permit more disciplined pricing, but it cannot create recognition symmetry across firms or eliminate the residual mechanics of acquisition accounting. The result aligns with evidence that disclosure lowers information asymmetry while remaining an incomplete substitute for measurement and recognition. The pattern is stronger in IPOs, where disclosures are more extensive, but remains visible in M&A. H3 is supported as an attenuation, not elimination, proposition.

Robustness, Economic Significance, and Hypothesis Verdicts Table 5.7 consolidates robustness tests and final hypothesis decisions. Results retain their direction and significance under principal-component and leave-one-indicator-out IOI scores, alternative dependent-variable scaling, robust and quantile regression, entropy balancing, crisis-year exclusions, event-type partitions, two-way clustering, and bootstrap confidence intervals. Influence diagnostics do not identify any single event or industry as decisive. Coding reliability exceeds the predefined threshold, supporting the reproducibility of DQ and ownership measures.

Table 5.7: Robustness Evidence and Final Hypothesis Verdicts

Analysis	VP result	GW result	Interaction result	Inference
Principal-component IOI	0.409***	0.159***	Negative***	Stable
Leave-one-indicator-out range	0.384*** to 0.447***	0.151*** to 0.173***	Negative**/**	Stable
Entropy-balanced	0.418***	0.162***	Negative***	Stable
Quantile regression (median)	0.397***	0.155***	Negative**	Stable
Exclude 2020 / volatile years	0.425***	0.165***	Negative***	Stable
Exclude influential events	0.421***	0.161***	Negative***	Stable
Two-way clustered SE	p < .01	p < .01	p < .05	Stable
Bootstrap 95% CI	[0.344, 0.519]	[0.119, 0.211]	Excludes zero	Stable
H1: IOI -> VP	Supported	-	-	Positive and robust
H2: IOI -> GW	-	Supported	-	Positive and robust
H3: DQ moderation	Supported	Supported	Supported	Attenuation, not elimination

Note: Reported coefficients are comparable baseline effects where applicable. ** p < .05; *** p < .01.

Across specifications, effect sizes remain economically meaningful rather than merely statistically detectable. The evidence thus forms a coherent sequence: invisible ownership increases valuation premiums, a portion is subsequently absorbed into goodwill, and disclosure narrows but does not close either relationship. These findings support all three hypotheses and shift interpretation away from pricing irrationality toward a systematic mismatch between economic ownership and accounting recognition. They provide the empirical foundation for the theoretical and policy discussion in Chapter 6.

Discussion and Implications

Recognition Boundaries, Not Valuation Irrationality

The findings establish a coherent sequence. Invisible ownership increases valuation premiums, is reflected in acquisition goodwill, and remains relevant when disclosure quality is high. The gap is therefore a predictable consequence of recognition boundaries rather than irrational pricing. Markets capitalize intellectual, institutional, and social ownership because these resources support future benefits, while reporting omits them when separability, control, reliable measurement, or auditability cannot be demonstrated. The study thus identifies a specific missing construct behind declining accounting value relevance [44, 45].

H1 remains supported across controls, alternative indices, event partitions, and balanced samples. Its stronger IPO effect is consistent with shorter histories and reliance on forward-looking in-

formation; its presence in both settings shows that the construct is not transaction-specific. Price capitalizes expected benefits, whereas net assets represent resources satisfying accounting criteria. Treating the difference as error misdiagnoses a representational mismatch [46, 47].

Goodwill as the Landing Point of Excluded Ownership

H2 clarifies why goodwill grows in knowledge-intensive transactions. Goodwill does not equal invisible ownership: synergies, bargaining, overpayment, and uncertainty remain relevant. However, their association indicates that excluded ownership enters the residual after identifiable net assets are measured. Goodwill is therefore partly a landing point for resources absent from pre-acquisition statements.

This interpretation moves beyond treating goodwill as either a meaningful asset or managerial residual. A single balance combines sources with different durability, ownership mechanisms, and impairment risks. Aggregate tests cannot reveal whether capability, routines, trust, or synergy deteriorated. More disaggregated explanations of acquisition premiums and performance are needed without indiscriminate capitalization of internally generated intangibles [48-50].

Theoretical Implications: Recognition, Institutions, and Disclosure

Recognition theory gains a missing ownership dimension. Con-

trol may operate through knowledge, routines, relationships, and legitimacy without legally separable rights. Existing criteria preserve comparability and verifiability but exclude resources that markets price. Theory should therefore model recognition as a constrained representation of economic ownership.

Institutional theory explains why this gap persists. Standard setters, auditors, preparers, and regulators depend on enforceable definitions and reproducible measurements. These institutional safeguards create legitimacy but also slow adaptation when value creation migrates toward noncontractual resources [51]. The results therefore portray invisible ownership as an institutional outcome, not simply an omitted variable.

H3 distinguishes disclosure from recognition. Narrative reporting attenuates valuation premiums and goodwill intensity, but IOI remains positive at high disclosure. Disclosure supplies context; recognition supplies standardized measurement, continuity, and a basis for contracting and stewardship. Their functions are complementary, explaining why commentary improves decisions without closing the gap [52].

Implications for Reporting and Standard Setting

For preparers, the evidence supports an ownership-reconciliation statement linking transaction price to net assets, identified intangibles, documented ownership drivers, expected synergies, and residual goodwill. Without valuing every relationship, it would explain which resources influence price, why recognition was unavailable, and how performance will be monitored. For standard setters, the findings favor staged reform. First, management commentary should require structured descriptions of intellectual, institutional, and social ownership, supported by quantitative indicators and period-to-period continuity. Second, acquisition disclosures should disaggregate the principal drivers assigned to goodwill and link them to subsequent impairment monitoring. Third, experimental recognition or supplementary measurement should be considered only where control, measurement, and assurance thresholds can be defended. This pathway is consistent with initiatives on intangible information and management com-

mentary while preserving prudence [53].

Professional, Regulatory, Economic, and Social Effects

Auditors need evidence beyond invoices and legal title. Assurance requires testing routines, data lineage, workforce metrics, innovation records, customer persistence, and consistency between narrative claims and valuation assumptions. This increases judgment and risk when goodwill tests depend on forecasts [54]. Valuers should document how ownership dimensions enter forecasts, discount rates, useful lives, and sensitivities.

Regulators should also avoid assessing transaction fairness solely through recognized book values. Where comparable firms possess different mixes of recognized and invisible ownership, book-based screens may generate false anomalies. Targeted reconciliations and standardized ownership indicators could improve surveillance, comparability, and investor protection without converting regulators into valuers [55, 56].

Economically, better representation can reduce dependence on private information and improve capital allocation, particularly for younger knowledge-intensive firms [57]. Socially, it can expose how employees, customers, communities, and public institutions contribute to trust, reputation, and organizational capacity. Visibility does not automatically determine entitlement, but it makes distributional claims contestable and strengthens accountability for how collectively produced value is allocated [58, 59].

Integrated Implication Framework

Table 6.1 consolidates the interpretation, affected users, and proportionate responses arising from the evidence. Its central message is disciplined evolution rather than wholesale capitalization: financial reporting should identify the boundary between recognized and invisible ownership, explain the valuation consequences of that boundary, and create auditable links between pre-transaction resources, purchase price, goodwill, and subsequent performance.

Table 6.1: Integrated Interpretation and Implication Framework

Empirical insight	Interpretation	Primary implication	Responsible actors
IOI positively predicts valuation premium	Prices capitalize ownership resources omitted from recognized net assets	Add an ownership-to-value reconciliation around major events	Preparers; valuers; boards
Effect is stronger in IPOs	Short histories increase reliance on forward-looking ownership evidence	Strengthen structured prospectus indicators and comparability	Issuers; exchanges; securities regulators
IOI positively predicts goodwill	Excluded ownership partly enters the acquisition residual	Disaggregate goodwill drivers and link them to monitoring	Acquirers; audit committees; auditors
Three IOI dimensions remain relevant	Value is distributed across intellectual, institutional, and social resources	Report dimension-specific indicators rather than one opaque total	Management; standard setters
Disclosure weakens IOI effects	Narrative information reduces uncertainty	Combine commentary with recognition reconciliation	Preparers; investors; analysts

IOI effects persist at high DQ	Recognition supplies standardization and stewardship functions that narrative cannot replace	Develop staged supplementary measurement and assurance	IASB; EFRAG; audit profession
Results survive robustness tests	The recognition gap is systematic rather than sample-specific	Use the framework in transaction review and surveillance	Regulators; researchers; practitioners
Social ownership contributes to value	Stakeholders help create trust, legitimacy, and relational capacity	Make contribution and distribution claims more visible	Boards; employees; communities; policymakers

Note. IOI = Invisible Ownership Index; DQ = Disclosure Quality.

Taken together, invisible ownership bridges accounting theory and valuation practice. The findings preserve recognition discipline while exposing its consequences, reinterpret goodwill without denying other components, and explain why disclosure mitigates but cannot eliminate incompleteness. The framework provides an agenda for reporting, assurance, regulation, and stakeholder accountability and prepares the conclusions and future research in Chapter 7.

Conclusions, Contributions, Limitations, and Future Research

Overall Conclusion

This study introduced invisible ownership as an accounting construct capturing intellectual, institutional, and social resources outside formal recognition. Evidence from M&A and IPO events indicates that higher invisible ownership is associated with larger valuation premiums and, in acquisitions, greater goodwill intensity. Disclosure quality weakens both relationships without eliminating them. The findings support a recognition-based explanation: markets price controlled resources that statements exclude because criteria emphasize separability, legal enforceability, reliable measurement, and auditability. Valuation gaps are therefore not *prima facie* evidence of market irrationality.

Principal Contributions

Conceptually, invisible ownership connects value creation to recognition boundaries. Empirically, the multidimensional Invisible Ownership Index bridges unrecognized resources, transaction pricing, and goodwill. Interpretively, goodwill is repositioned partly as the landing point of excluded ownership rather than solely synergy, overpayment, or managerial discretion [60]. Finally, the study distinguishes disclosure's informational function from recognition's standardized measurement and stewardship functions, reconciling declining accounting value relevance with rational valuation practice.

Reporting and Policy Recommendations

The evidence supports staged reform rather than automatic capitalization. Preparers should provide an ownership-to-value reconciliation linking net assets, identified intangibles, documented ownership drivers, synergies, and residual goodwill. Acquisition disclosures should identify the intellectual, institutional, and social sources assigned to goodwill and connect them to performance and impairment monitoring. Standard setters could

strengthen management commentary and supplementary measures where control, continuity, measurement, and assurance thresholds are defensible. Auditors and regulators should require traceable evidence while preserving prudence and comparability.

Study Limitations

Invisible ownership is inherently unobservable, so its proxies contain measurement noise despite alternative indices and reliability tests. The event-based design reveals recognition boundaries under valuation pressure but may not generalize fully to routine reporting, debt contracting, or internal decision making. The observational models cannot eliminate endogeneity or establish definitive causality, notwithstanding fixed effects, balancing, alternative specifications, and influence tests. In addition, goodwill is observed only for acquisitions, and the single-country Egyptian setting may limit transferability to jurisdictions with different recognition, enforcement, and capital-market institutions. These boundaries qualify causal interpretation but do not negate the consistency of the documented associations.

Future Research

Future studies should validate the index across jurisdictions, reporting regimes, and industries and examine whether legal traditions alter the pricing of invisible ownership. Longitudinal designs can test whether ownership indicators predict post-transaction performance, impairment, innovation persistence, and stakeholder outcomes. Debt contracting, executive compensation, bankruptcy prediction, and internal capital allocation offer settings beyond M&A and IPOs. Experiments and interviews could reveal how investors, auditors, boards, and regulators interpret ownership reconciliations and disaggregated goodwill. Finally, research should evaluate whether structured intangible disclosures or digitally assured indicators narrow information gaps without encouraging opportunistic valuation. This agenda can refine recognition theory while protecting reliability, accountability, and decision usefulness [61]. Together, these directions can determine when invisible ownership measurement improves reporting and when its uncertainty outweighs the benefits of greater visibility.

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