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| University of Ljubljana  School of Economics and Business |  |
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| Research project is ( co)funded by the Slovenian Research Agency . | |
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| Project |  |
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| **Member of University of Ljubljana** | School of Economics and Business |
| **Code** | |  | | --- | | J5-2554 | |
| **Project** | Quantitative and qualitative analysis of the unregulated corporate financial reporting |
| **Period** | 1.9.2020 do 31.8.2023 |
| **Range on year** | |  | | --- | | 1535 research hours | |
| **Head** | Igor Lončarski  <https://www.sicris.si/public/jqm/rsr.aspx?lang=eng&opdescr=search&opt=2&subopt=300&code1=cmn&code2=auto&psize=10&hits=1&page=1&count=&search_term=Lončarski&id=16126&slng=&order_by=> |
| **Research activity** | |  | | --- | | Social sciences/Economics | |
| **Participating Research Organisations** | Jožef Stefan Institute |
| **Abstract** | One of the key functions of the financial system is to facilitate the transfer of funds from savers with excess funds (typically households) to entities that require funds for capital investment (typically nonfinancial companies). The main goal of financial reporting in the financial system is to ensure high-quality, useful information about the financial position of firms, their performance and changes in their financial position is available (IASB Framework 2015) to a wide range of users, including existing and potential investors, financial institutions, employees, the government, etc. The central element of the formal system of financial reporting is accounting standards. The EU has adopted the International Financial Reporting Standards in 2005. The issue of the quality of financial reporting has become one of the central issues during the recent financial crisis and has received considerable attention from the society at large ever since. A reflection of this are the recent changes of financial as well as non-financial reporting and auditing regulations. The collective aim of these developments was to increase transparency of information that firms, and their auditors communicate to users (investors, regulators, broader public users). These developments have collectively resulted in a large increase in the amount of financial and non-financial information provided by the financial reporting system. Most visibly, the annual reports of companies that represent the main output of the financial reporting system, have increased to several hundred pages. This increase sparked concerns that the amount of data exceeds the capacity of investors and other stakeholders to obtain useful information out of these reports. These concerns were noted by stakeholders as well as by standard setters. The purpose of the proposed research is to study the relationships among the characteristics of financial reports and financial indicators with the latest state-of-the-art data collection and data analysis approaches (e.g., eye-tracking devices, deep learning techniques). Effort will be spent also for development of the resources and methodologies that are necessary for such undertakings. Wide usefulness of these results will be strengthened by the use of novel and promising approaches that allow for the use of such tools also with texts in other languages, which are not represented in the resources (e.g., languages that are not well supported with state-of-the-art computational linguistic resources).  The  objectives of the proposed project are:   * To develop the methodologies for analysis of relations among the characteristics of financial texts (periodic reports) and the business performance of companies and their context. * To discover and assess the meaning and importance of patterns in relations among the key entities mentioned in texts of annual reports, both statically and overtime. * To study the contextualization of financial concepts with distributional semantics methods. We will observe the changes over sectors and over time relative to financial indicators, and thereby investigate the correlations between financial and textual context of financial terms. * To develop methods which allow multilingual analysis of financial reports and the use of a selected subset of developed resources and methods with languages that are not well supported with state-of-the-art computational linguistic resources. * To conduct a qualitative analysis of perceptions of users of annual reports and observation of their focus at reading annual reports to find how focused are they at different parts of annual reports and to better understand the reasons of why different user groups focus on different parts of annual reports while reading them.   Our research has implications for a large part of the economic system: financial markets, regulators, standard setters, broader users of annual reports. |
| **Researchers** | <https://www.sicris.si/public/jqm/prj.aspx?lang=eng&opdescr=search&opt=2&subopt=402&code1=cmn&code2=auto&psize=10&hits=1&page=1&count=&id=18317&slng=&search_term=J5-2554&order_by=> |
| **The phases of the project and their realization** | * Descriptive and predictive analytics of financial indicators (WP1) * Contextualisations of financial concepts with distributional semantics methods (WP2) * Supporting multilingual analysis of annual reports (WP 3) * Qualitative analysis of perceptions of users of annual reports and observation of their focus at reading annual reports (WP4) |
| **Citations for bibliographic records** | <https://www.sicris.si/public/jqm/search_basic.aspx?lang=eng&opt=2&subopt=1&opdescr=search&code1=cmn&code2=auto&search_term=J5-2554> |
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