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**The effect of IAS 1 amendments on disclosure
quality: Evidence from a Swedish context**

A study investigating boilerplate and stickiness in relation to the
amendments to IAS 1

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Thank you!

Gothenburg, June 2018

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Abstract

Background: In January 2016 the amendments to IAS 1, as proposed by the IASB, became effective, with the intended outcome to increase the disclosure quality. These amendments have been developed in order to adjust for the existing issue of disclosure overload within annual reports, i.e. the amount of boilerplates and stickiness of disclosures.

Purpose: This thesis has examined whether these amendments have had the intended outcome, by investigating if the phenomena boilerplate and stickiness have decreased within annual reports for Swedish listed companies. In addition to this, the thesis investigated if firm size, audit firm and industry have any effect on disclosure quality. Additionally, it investigates if larger companies have adopted the new amendments more in line with the intended outcome.

Research design: In order to investigate the purpose of this thesis the disclosed information about accounting policies and critical judgements and estimates in annual reports for Swedish listed companies have been analysed, over a time period of four years. Consequently, the phenomena boilerplate and stickiness have been defined by measures, where Computer-Aided Text Analysis (CATA) has been utilised.

Results and conclusion: This thesis found that there is a tendency towards the intended outcome, meaning that the companies' disclosures have become better. Further, it is found that firm size seems to impact the disclosure quality and that bigger companies tend to have adopted the amendments to a larger extent. However, the result for audit firm showed that companies not using one of the Big 4 audit firms tend to have better disclosure quality. Lastly, the result did not show any difference within disclosure quality between manufacturing and non-manufacturing companies.

Limitations: The measurements provided in this paper could be argued to require further validation, since boilerplate and stickiness are areas that have not yet been subject to much research. Further, the sample could be argued to be insufficient, explainable by a shortfall due to time consuming manual collecting and testing. Lastly, the division between companies having either the Big 4 or others, as audit firm, could be argued to be inadequate.

Suggestions for future research: In line with the findings of this thesis, a replica of this study, in a few years, would be of interest in order to see if the effect of the amendments have become more substantial. Additionally, it would be interesting to broaden this study and include several countries that apply IFRS in order to get a larger sample. Furthermore, there is a need to further validate the proxies for our variables.

Keywords: IAS 1, Disclosure quality, Boilerplate, Stickiness, Computer-Aided Text Analysis

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In January 2016 the amendments to IAS 1, as proposed by the IASB, became effective, with the intended outcome to increase the disclosure quality. This study has examined whether these amendments have had the intended outcome, by investigating if the phenomena boilerplate and stickiness have decreased within annual reports for Swedish listed companies. In addition to this, we have investigated if firm size, audit firm and industry have any effect on disclosure quality. We found that there is a tendency towards the intended outcome, meaning that the companies' disclosures have become better. Further, we found that firm size seems to impact the disclosure quality, which is in line with previous research. We also found that bigger companies tend to have adopted the amendments to a larger extent. However, audit firm showed a result that did not support previous research by indicating that companies not using one of the Big 4 audit firms tend to have had better disclosure quality. Lastly, our result did not show any difference within disclosure quality between manufacturing and non-manufacturing companies.

Keywords: IAS 1, Disclosure quality, Boilerplate, Stickiness, Computer-Aided Text Analysis

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Supervisor:

Emmeli Runesson

1. Introduction

Over the past decade, investors, preparers, regulators and standard setters have indicated that there is an existing issue within financial statements regarding disclosures, referred to as disclosure overload (EY 2014; IFRS Foundation 2012). Prior research implies that information disclosed in annual reports has increased, i.e. the reports have become more voluminous, which makes it difficult for the users to interpret the content (Barker, Barone, Birt, Gaeremynck, Mcgeachin, Marton & Moldovan, 2013; Schick, Gordon & Haka, 1990; Schipper, 2007). The increase in size of the financial statements does not necessarily mean that the amount of useful information has increased to the same extent (Hoogervorst, 2013). It is further argued that disclosure overload affects the usefulness of financial reports; due to requirements which have become exceedingly strenuous and the companies' use of boilerplate language (IFRS Foundation, 2012). In other words, the issue with disclosure overload could be explained by underlying causes, such as boilerplate and stickiness.

Within empirical research, boilerplate is explained as standardised texts that are recurrent between companies (Dyer, Lang & Stice-Lawrence, 2017; Lang & Stice-Lawrence, 2015; McMullin, DeFond, McCubbins, Murphy, Subramanyam, & Zhang, 2014), while stickiness is described as the usage of prior disclosures within one specific company and across time (Cormier, Magnan, Van Velthoven, 2005; Dyer et al., 2017). In connection to financial accounting, this type of issues are perceived to decrease the usefulness of the information disclosed, since it will result in limited or non-value adding information and might affect the transparency, hence drawing attention to less relevant and non-firm-specific information (EY, 2014).

As previously stated, disclosure overload is an existing issue within financial statements. In order to solve this issue, the International Accounting Standards Board (IASB) started their Disclosure Initiative in 2013 (Hellman, Carensy, Moya Gutierrez, 2017). The aim was to make disclosures in the financial statements more effective (IASB, 2017), i.e. improve the disclosure quality. In their Discussion Paper 2017/1, the IASB identifies three main problems with disclosures; not enough relevant information is disclosed, irrelevant information is disclosed and the information provided in the financial statements is communicated ineffectively. Further, the IASB (2017) argues that the explanation for these problems are the entities' lack of judgement when assessing what information is relevant to disclose, which indirectly could lead to that the financial statements are being used as standardised documents and the opportunity to communicate important information to its users decreases. Within the initiative, amendments to IAS 1 were developed, which were effective as of January 1, 2016 and aimed to clarify the importance of materiality when preparing the financial statements and the dilemma of materiality when it comes to mandatory disclosures (IASB, 2017).

The aim with this paper is to contribute to a post-implementation review of the latest amendments to IAS 1; referring to the importance of materiality when preparing the disclosures within the financial statements. Since the purpose of the amendments is to increase the disclosure quality, we have investigated the outcome by using concepts that researchers and standard setters argue decreases the quality, more specifically boilerplate and stickiness (Dyer et al., 2017; EY, 2014; Hoogervorst, 2013; Lang & Stice-Lawrence, 2015). In order to investigate possible changes, we have analysed the disclosed information about accounting

policies and critical judgements and estimates in annual reports for Swedish listed companies, over a time period of four years. In order to investigate possible changes, we have defined the phenomena boilerplate and stickiness by measures, where we have applied Computer-Aided Text Analysis (CATA).

Our study has contributed by providing insights for regulators and standard setters regarding the latest amendments to IAS 1. With the aim of investigating the possible changes, i.e. increase in disclosure quality due to the amendments to IAS 1, the findings gives indications for regulators and standard setters, concerning how the regulatory changes have affected the way that companies tend to disclose information. Further, the study contributes within the accounting research, more specific regarding disclosure quality within the accounting choice literature.

The sample consists of 144 Swedish listed companies on Nasdaq Stockholm Small, Mid and Large Cap, this since only listed companies are required by law to report according to International Financial Reporting Standards (IFRS). Since the amendments to IAS 1 were implemented as of January 1, 2016, the collection of data consists of annual reports from two years before and two years after the implementation, hence from 2014 to 2017. This resulted in 559 observations, which provides data to analyse the intended change in disclosures by these companies.

Since boilerplate is a rather undeveloped measurement within disclosures (Dyer et al., 2017; Lang & Stice-Lawrence, 2015; Nelson & Pritchard, 2007), there is a need for finding additional ways to investigate it. Within this paper we used five different measures in trying to capture the amount of boilerplate within Note 1. In order to account for the amount of boilerplate we investigated how specific Note 1 is by looking at how the companies use unique words, specific terms and concrete words. Further we investigated the amount of boilerplate by examining the similarity between companies' Note 1 and the amount of standardised accounting terms used. Furthermore, stickiness could be argued to be an even more undeveloped measurement within disclosures (Dyer et al., 2017). With our measure of stickiness we investigated the amount of standardised text within the companies' financial statements between the two years before and two years after the amendments became effective.

In connection to boilerplate and stickiness, our study investigates if there exists differences between companies, depending on firm-specific factors. This since, different studies during the years have investigated how firm-specific factors can impact the information disclosed (e.g. Alsaeed, 2006; Camfferman & Cooke, 2002; Chow & Wong-Boren, 1987; Cooke, 1989; Firth, 1979; Marton & Runesson, 2015; McMullin et al., 2014; Meek, Roberts & Gray, 1995; Raffournier, 1995; Singhvi & Desai, 1971). Three specific factors, that have been relatively investigated, are the effect that firm size, audit firm and industry have on disclosure level and compliance within annual reports. Within our study, size is measured by market capitalisation, audit firms are distinguished between Big 4 and others, and industry between manufacturing and non-manufacturing companies.

In this study we investigated if boilerplate and stickiness have decreased, which is the intended outcome with the amendments to IAS 1, i.e. an increase in disclosure quality. Further, we investigated if there is a relationship between boilerplate and stickiness in connection to firm size, audit firm and industry. Additionally, an interaction variable controls for the relationship between firm size and the period post the amendments became effective. Apart

from our dependent and independent variables we have included one additional control variable where we control for effects of profitability.

Within this study we found that there is a tendency towards the IASB's intended outcome, indicating that disclosures by the companies in our sample have become better, i.e. the disclosure quality has increased. Further, we found that firm size tends to impact the amount of boilerplate and stickiness within disclosed information in annual reports for Swedish listed companies, which is in line with earlier research and therefore also the expected outcome. In regards to firm size, we also found that bigger companies have adopted the amendments to a larger extent. However, when investigating if there was a difference in disclosure quality between companies using either the Big 4 or other audit firms, it could be found that others tends to have better disclosure quality, which is not in line with what previous research has found. Additionally, there were no indications within this study that companies within the manufacturing industry had better disclosure quality than companies within non-manufacturing industries, which also differs from previous research.

However, this research is not without important caveats. Firstly, studies' including boilerplate and stickiness are areas that have not yet been subject to much research, which indicates that the measurements provided in this paper could be argued to require further validation. Further, the sample could be argued to be insufficient, which could be explained by a shortfall due to time consuming manual collecting and testing, although, the size could be argued to be big enough in relation to the population for the study. Lastly, the division between companies having either the Big 4 or others, as audit firm, could be argued to be inadequate, which could possible affect the outcome of this study.

The remaining paper is divided into the following sections; Section 2 proceeds by introducing the reader to prior literature and findings, which is followed up by our hypothesis development. In Section 3 we present the research design, where we describe the sample selection as well as introduce the reader to our variables. Section 4 in this paper presents our findings; whereas Section 5 contributes with the regression analyses. In Section 6 we provide the reader with our concluding remarks.

2. Prior literature and hypothesis development

Problems with disclosure quality

Prior research indicates that disclosures are an area where there are a lot of ongoing and open discussions, both within research and regulations. According to the IASB (2013), disclosures could be described as; "... *the process of providing useful financial information about the reporting entity to users.*" (p. 137). To clarify, the idea is that disclosures should provide information that is sufficient and accurate enough to enable good prerequisites for users to analyse, referred to as good disclosure quality. Furthermore, the possible achievement of disclosure quality will depend upon the quality of accounting standards, compliance monitoring and managerial incentives (Glaum, Schmidt, Street & Vogel, 2013; Nell, Tettenborn & Rogler, 2015). The quality of accounting standards, and especially disclosure quality, is argued by the European Financial Reporting Advisory Group (EFRAG) (2012) to

have two possible areas of improvement, where one of them concerns the judgement of whether information is material or not.

According to the IASB (2013), materiality is explained as information that in one way or another will affect the users within their analyses and decisions, i.e. information which cannot be incorrect or included without having an impact on the user's decision making. Liu and Mittelstaedt (2002) states in their article that both standard setters and researchers are worried about how the concept of materiality is utilised. Further, there is a need of more guidance in order to determine what could be seen as material (Liu & Mittelstaedt, 2002) and how to coordinate and communicate the disclosures (Barker et al., 2013). Accordingly, Nell et al., (2015) argues that even if the disclosures, including notes, are of great importance, the quality of such has been rather questioned from different standard setters and regulatory organisations. In connection to this, prior research argues that there is a lack of comprehensive theory and clear purpose for mandatory disclosures (Schipper, 2007), including more forthright and specific regulations regarding disclosures (Liu & Mittelstaedt, 2002; Nell et al., 2015).

Although, the IASB's IFRS have contained and still contains the judgement of materiality, which needs to be applied for decisions in regards to disclosing information (IASB, 2017), prior research implies that information disclosed in annual reports has increased, i.e. the reports have become voluminous, which has made it more difficult for the users to process the information in order to make decisions (Barker et al., 2013; Schick et al., 1990; Schipper, 2007). Further, the increase in size of the financial statements does not necessarily mean that the amount of useful information has increased to the same extent (Hoogervorst, 2013). This is an issue that is referred to as disclosure overload (EY, 2014; IFRS Foundation, 2012), which, according to research and standard setters, could be explained by two different types of phenomena, boilerplate and stickiness (Lang & Stice-Lawrence, 2015).

Firstly, boilerplate is argued to be standardised texts that are recurrent between companies (Dyer et al., 2017; Lang & Stice-Lawrence, 2015; McMullin et al., 2014). Accordingly, Nelson and Pritchard (2007) explains that the corporate disclosures have become a lot of "cutting and pasting". There are different studies that have been conducted in connection to boilerplate, with findings indicating various perceptions, both positive and negative. According to McMullin et al. (2014), boilerplate could be seen as something positive when it comes to disclosures, since it increases the comparability between companies. Further, they argue that this could reduce the cost of preparing disclosures for companies and the cost of processing information for users. Although, McMullin et al.'s (2014) study is recently submitted, there have been studies conducted over the years, which have a negative approach to boilerplate disclosures (Abraham, & Shrives, 2014; Hope, Hu & Lu, 2016). By extension, Abraham & Shrives, (2014) argues that the negative view on boilerplate is due to that the information disclosed should be firm-specific, which could be achieved by internal yearly revisions in order to make sure that only relevant information is disclosed. Accordingly, Hope et al. (2016), finds that there is a negative correlation between understandability and boilerplate, hence more boilerplate information will decrease the understandability, i.e. disclosure quality.

Secondly, stickiness is described as the usage of prior disclosures within one specific company and across time (Cormier et al., 2005; Dyer et al., 2017). One reason for the existence of stickiness could be explained by Einhorn and Ziv (2008), who argues that companies tends

to be hesitant to include new disclosures. This implies that information that once has been disclosed tends to be disclosed even in the future. Information that remains disclosed, which might not be material anymore, could lead to stickiness. According to Cormier et al. (2005), managers tend to be unwilling to change disclosed information between years. This managerial behaviour could be explained by different incentives, such as the trade-off between benefit and cost regarding disclosing new information (Cormier et al., 2005) and the simplicity in using already “tried and tested” disclosures (Abraham & Shrivies, 2014).

In accordance with the increase in amount of information that is disclosed, the IASB (2017) states three main problems concerning disclosures; not enough relevant information is disclosed, irrelevant information is disclosed and the information provided in the financial statements are communicated ineffectively. Further, the IASB (2017) argues that the explanation for these problems are the entities’ lack of judgement when assessing what information is relevant to disclose, which indirectly could lead to that the financial statements are being used as standardised documents and the opportunity to communicate important information to its users is decreasing. In trying to solve these problems, i.e. increase the disclosure quality, the IASB (2017) have developed their Disclosure Initiative, where the amendments to IAS 1 have been the starting point. One of the amendments is paragraph 31, which aims to clarify the dilemma between mandatory disclosures and materiality. The dilemma concerns disclosures which are mandatory according to one single standard in IFRS, but should still not be included if it is immaterial. Further, it also states that companies should consider adding additional information in connection to mandatory disclosures if it aims to clarify the information for the users.

Computer-Aided Text Analysis

Within prior accounting research on disclosure quality, there have been a growing number of studies where CATA has been used (Cho, Roberts & Patten, 2010; Dyer et al., 2017; Lang & Stice-Lawrence, 2015; Nelson & Pritchard, 2007; Patelli and Pedrini, 2014; 2015). CATA is, according to Belderbos, Grabowska, Leten, Kelchtermans and Ugur (2017), a method used within international business research to process content analysis on large datasets of text. Fundamentally, it concerns the ability to convert text into numbers (Miner, Elder, Hill, Nisbet, Delen & Fast, 2012) by segregating the texts in regards to the amount of words and phrases and creating a numerical format for those (Manning & Schütze, 1999). In studies conducted within the fields of organisation and management, the use of text files from documents such as CEO letters, annual reports and press releases have been used to a large extent within CATA (Duriau, Reger, & Pfarrer, 2007). However, within accounting research, there are a lot of ongoing discussions regarding the possibilities and limitations of CATA and its usability (Matthies & Coners, 2015). As previously mentioned, there is an increase in the volume of text within disclosure in annual reports (Barker et al., 2013; Schick et al., 1990; Schipper, 2007), which indicates that manual analysis becomes time consuming and hard to carry out. Therefore, CATA are becoming increasingly important (Li, 2010; Morris, 1994) since it could facilitate the analyses regardless of information overload (Feldman & Sanger, 2007; Matthies and Coners, 2015). Further, Matthies and Coners (2015) argue that there are more advantages than just efficiency with CATA, such as the possibility to replicate a study. Consequently, in

contrast to manual analysis, this would eliminate the possible risk of subjectivity (Indulska, Hovorka & Recker, 2012).

In order to conduct CATA, there are different types of software applications which could be used. In this study, two different types of software applications are used; DICTION and WCopyfind. Firstly, DICTION is a software based on linguistic theory, where several dictionaries (Hart, 2001) and artificial intelligence are utilised (Cho et al., 2010), which enables thematic CATA on disclosures (Patelli & Pedrini, 2014). Furthermore, DICTION is argued to facilitate relatively high objectivity (Cho et al., 2010; Patelli & Pedrini, 2014), i.e. preventing subjective coding (Davis, Piger & Sedor, 2012), and producing valid measurements (Patelli & Pedrini, 2014). Simultaneously, the software enables a flexible usage depending on the intention (Cho et al., 2010). Accordingly, this software has been used within prior research that conduct CATA on annual reports (Cho et al., 2010; Patelli and Pedrini, 2015, 2014). Secondly, WCopyfind, is a plagiarism detection software developed in 2004, which is based on the method of identifying n-grams (Bloomfield, 2011), a method that has been used within prior research, concerning disclosures and measurements of boilerplate and stickiness (e.g., Dyer et al., 2017; Lang & Stice-Lawrence, 2015; Nelson & Pritchard, 2007). Furthermore, using n-grams is argued to be a common method to identify similarities between texts (Lang & Stice-Lawrence, 2015), and consequently, WCopyfind includes several settings which enable situational adjustments (Bloomfield, 2011).

Hypothesis development

Within this study, two different types of hypotheses are included, one that accounts for the disclosure quality pre and post the amendments became effective (H1) and the other which investigates three different determinants to explain disclosure quality, disregarding the aspect of pre and post the amendments (H2).

Since the overall aim with the amendments to IAS 1 is to increase the disclosure quality, the two phenomena described above; boilerplate and stickiness, which could be argued to decrease disclosure quality, need to decrease in order to increase the quality. Even though there is a consensus in reaching disclosure quality, the process of measuring it has differed. According to Abraham and Shrives (2014) there has been previous research where focus have been on the quantity of information disclosed. This is something that Beretta and Bozzolan (2004; 2008) discusses, where they state that quantity has been used as a proxy for quality of disclosures. However, current research suggests that quantity of disclosures is not correlated to quality (Beretta & Bozzolan, 2008) and that the focus of disclosed information should be on quality (Abraham & Shrives, 2014). Since the two phenomena concern the issue of disclosure overload, which decreases the disclosure quality, prior research has investigated boilerplate and stickiness by different types of measures, searching for the effect on disclosure quality and not quantity (Dyer et al., 2017; Lang & Stice-Lawrence, 2015). Further, the current study examines if the amendments to IAS 1 have increased the disclosure quality by investigating the two different phenomena that could explain the existing issue of disclosure overload. In order to do so, the following hypothesis has been developed:

H1a: *The amendments to IAS 1 have decreased the amount of boilerplates and stickiness of disclosures in annual reports for Swedish listed companies.*

Different studies over the years have investigated how firm-specific factors can impact the information disclosed (Chow & Wong-Boren, 1987; Cooke, 1989; Meek et al., 1995; Raffournier, 1995; Marton & Runesson, 2015). One specific factor that has been substantially investigated is the effect that firm size has on the amount of information disclosed. Several studies over the past decades have investigated the possibility of an existing positive relationship between firm size and disclosure quality (Bamber, Jiang, Petroni & Wang, 2010; Jiao, 2011; Lang & Lundholm, 1993; Lee, Petroni & Shen, 2006). Jiao (2011) investigated whether or not firm size, measured as market capitalisation, could explain the disclosure quality, measured by the Association for Investment Management and Research (AIMR) Score, which is a score where analysts rate the companies' disclosures. The findings indicates that there is a positive correlation between firm size and disclosure quality, i.e. larger companies tend to have better disclosure quality than smaller companies. Furthermore, this is something that is confirmed by Bamber et al. (2010), Lang & Lundholm (1993) and Lee et al. (2006), who also find a positive correlation between firm size and disclosure quality. In accordance with these findings, and since the aim with the amendments to IAS 1 is to increase the disclosure quality, this study also investigates whether or not firm size impacts the amount of boilerplates and stickiness of disclosures. Consequently, we examine if firm size has any effect on the way that companies disclose, i.e. if the amount of boilerplate and stickiness could be explained by firm size. Therefore, we pose the following hypothesis:

H2a: *Companies with higher MARKET_CAP have lower amount of boilerplates and stickiness of disclosures in their annual reports.*

Additionally, we investigate if firm size has any impact on the adjustments to the amendments, i.e. if larger companies have adopted the new amendments more in line with the intended outcome. In line with this, we pose the following hypothesis:

H1b: *Companies with higher MARKET_CAP have a more prominent decrease in the amount of boilerplates and stickiness of disclosures due to the amendments.*

Another firm-specific factor that has been studied in prior research is whether or not the size of the chosen audit firm has any impact on the way that the company tends to disclose (e.g. Alsaeed, 2006; Camfferman & Cooke, 2002; Firth, 1979; McMullin et al., 2014; Meek et al., 1995; Raffournier, 1995; Singhvi & Desai, 1971). These studies indicate that larger audit firms tend to have a bigger impact on the information disclosed by the company. Firth (1979) and Singhvi and Desai (1971) contribute by concluding that the well-known and bigger audit firms can induce their customers to disclose more information. Additionally, Alsaeed (2006) and Camfferman and Cooke (2002) argues that larger audit firms make their customers disclose more comprehensive information, in regards to the requirements, i.e. companies with larger audit firms tend to disclose more in line with regulation. Within Swedish context, the bigger audit firms could be defined as the Big 4, i.e. Deloitte, EY, KPMG and PricewaterhouseCoopers (PwC). In order to test for this theory, this study investigates if customers to bigger audit firms, the Big 4, have better disclosure quality. Accordingly, following hypothesis has been developed:

H2b: *Companies that have one of the Big 4 auditors have lower amount of boilerplates and stickiness of disclosures in their annual reports.*

The impact of industry is another firm-specific factor that prior research has investigated (e.g. Alsaeed, 2006; Camfferman & Cooke, 2002; Cooke, 1992; McMullin et al., 2014; Meek et al., 1995; Raffournier, 1995). These studies indicate that the information disclosed within annual reports differs between companies active within different industries. Further, Cooke (1992) and Raffournier (1995) find that companies within the manufacturing industry tend to disclose more information than companies within other industries. In line with this, Alsaeed (2006) and Camfferman and Cooke (2002) find that companies within the manufacturing industry tend to disclose better, i.e. more consistent with regulations. According with this theory, this study investigates whether companies within the manufacturing industry tend to have higher disclosure quality. Therefore the following hypothesis has been developed:

H2c: *Companies that are operating in the manufacturing industry tend to have lower amount of boilerplates and stickiness of disclosures in their annual reports.*

3. Research design

Sample selection

As the aim of this paper has been to contribute to a post-implementation review of the latest amendments to IAS 1, we began by considering all the countries and companies that are currently implementing IFRS to be included in the sample. Therefore our basis for selection was all member states in the European Union (EU), since they are all required to follow IFRS as of January 1, 2005 (European Commission, 2012). At the same time, it was important to have a homogenous sample in order to prevent subsequent hidden effects of, for instance, culture and incentives, which led to the decision of selecting only one country. We argue that any country within Europe would have sufficed but Swedish firms are considered to have accounting of high quality (e.g. Hamberg, Paananen & Novak, 2011; La Porta, Lopez-de-Silanes, Shleifer & Vishny, 1998) which argues for that Sweden is a good country to investigate within an early stage of the adoption of the amendments to IAS 1.

We used Retriever Business as an initial step to gather information about companies that were listed on Nasdaq Stockholm as of 2017, more specifically on Small, Mid and Large Cap, which provided us with a sample of 300 companies. In addition to this, some limitations made it necessary to exclude several companies. A first exclusion of 88 companies was done, since all the companies generated have not been listed during our period of investigation, i.e. from January 1, 2014 until December 31, 2017. Equally important, as presented in Table 1 we excluded companies that did not provide their annual reports in English as well as companies whose annual reports for different reasons we were not able to access. This resulted in a sample of 144 companies. As for the annual reports for 2017, the sample consists of 127 companies, i.e. companies that have published their annual report up until April 30, 2018.

For our selected sample we collected accounting policies and critical judgements and estimates from the notes in the annual reports over a time period of four years, i.e. 2014 until 2017. According to PwC (2012), the accounting policies and judgements section within the

annual reports consists of boilerplate, which the investors sees as an issue. Usually, this information is presented in the beginning of the Notes (EY, 2014), more specifically in Note 1. Although, since there is no regulation regarding where the information should be disclosed, the companies' structure differs and our gathering process adjusts for this by collecting accounting policies and critical judgements and estimates from the notes, disregarding the location. In the following sections the collected text from the annual reports will be referred to as Note 1.

Table 1 - Sample overview

	No. of companies
Public listed companies on Nasdaq Stockholm 2017	300
Companies not listed during the entire selected time period	-88
Companies that belong to foreign parent companies	-9
Companies who does not provide annual reports in English	-48
Companies who does not allow annual reports to be downloaded, copied or found	-11
Total no. of observed companies	144

Notes: Table 1 describes the selection process of our final sample. Our initial sample consisted of all companies listed on Small-, Mid- and Large Cap and then removals, as can be seen above, were made.

Variables

Dependent variables

Our first phenomenon is boilerplate, which we refer to as standardised texts that are recurrent between companies. In order to measure the amount of boilerplate existing in Note 1 within annual reports, this study divides boilerplate into two different parts; specificity and boilerplate. Firstly, the part specificity, which is referred to as the amount of company specific information existing in Note 1, is measured by three different variables; UNIQUE_WORDS, SPECIFIC_TERMS and CONCRETENESS. All the different variables are measured using DICTION, which is a CATA software. The first variable, UNIQUE_WORDS, is measured through calculating words that only occur once in the text, in relation to the total amount of words within the same text. Further, the variable SPECIFIC_TERMS is inspired by Hope et al. (2016) and their variable specificity, which is constructed to calculate two different types of items; specific entity names; such as names of persons, locations and organisations, and numeric items; such as percentages, money values in specific currency, times and dates. This measurement is processed by DICTION which collects the amount of existing Numerical Terms, Spatial Terms and Temporal Terms. Lastly, the variable CONCRETENESS is measured by DICTION throughout a list of words that are referred to as tangible and material. The matching words within Note 1 for one specific company are then put in relation to the total amount of words within the same Note 1. Secondly, the part boilerplate is measured by two different variables; EMULATION and WORDLIST. The first variable, EMULATION, is processed by comparing each company's Note 1 with all other companies' Note 1 for the same year and creating a weighted measurement which answers for the overall compliance that all companies' have to one specific company. This measurement is created by using WCopyfind,

which is a software that compares documents and detect resemblances in the usage of words and phrases, collecting the absolute amount of matching words between each company for the same year and putting it in relation to the total amount of words from each company's Note 1 for the same year. The second measure, WORDLIST, is processed by using a dictionary including accounting terms collected from AccountingTools (2018). The dictionary is used as a benchmark within WCopyfind in order to collect to which extent the standardised accounting terms are included within Note 1 for each company. Furthermore, WCopyfind generates an outcome which answers for how many accounting terms that were found in Note 1, including a percentage that corresponds to the proportion of accounting terms within the total amount of words.

Our second phenomenon is stickiness, which we refer to as the usage of prior disclosures within one specific company and across time. In order to determine the level of STICKINESS within our selected sample we use WCopyfind. The interface allows us to compare the disclosures from Note 1 for the previous year with the disclosures in Note 1 for the following year. More specifically, we compare the disclosures for 2014 with 2015 and 2016 with 2017. Furthermore, the result specifies how much of the disclosures from the previous year were to be found in the disclosures for the following year. WCopyfind provides both a figure and a percentage, where the figure pinpoints the amount of words that are recurrent between the years, whereas the percentage tells us the proportion of the recurrent words in relation to the total amount of words disclosed for the same year.

Independent variable

Within this study, four different independent variables are included; MARKET_CAP, AUDIT, INDUSTRY and PERIOD. Firstly, MARKET_CAP is used as a proxy for firm size and measured as each company's annual market capitalisation by the end of the year. In order to collect this data we used the database Orbis. In cases where the data were not available, we manually collected it for 2017 from Avanza.se and for the other years from the companies' annual reports. Market capitalisation is argued to be market oriented (Dang, Li & Yang, 2018) and is therefore a good proxy for size when investigating listed companies. The second independent variable is AUDIT, which includes two categories that divide between companies that uses one of the Big 4 auditors and companies that uses other alternatives. Thirdly, INDUSTRY includes nine different industries, which will be tested within the relationship between manufacturing and non-manufacturing. Lastly, PERIOD distinguish between the periods pre, 2014-2015, and post, 2016-2017, the amendments to IAS 1 became effective. Additionally, an interaction variable is included within the regression analyses, which controls for the relationship between POST the amendments became effective and the MARKET_CAP. Moreover, it contributes by investigating if larger companies tend to adopt the amendments to IAS 1 better.

Control variables

In order to ensure the robustness of this study, ROA is included as a control variable in order to test for the possibility if profitability is an underlying effect on the relationship tested. Profitability is controlled for since prior research has found tendencies that it could impact the amount and quality of information disclosed (e.g., Alsaeed, 2006; Camfferman & Cooke, 2002;

Table 2 - Summary of variables

Variable	Type	Description	Source	Proxy for
UNIQUE_WORDS	Dependent variable	The number of words only occurring once in relation to the total number of words.	DICTION	Boilerplate
SPECIFIC_TERMS	Dependent variable	The number of Numerical, Spatial and Temporal Terms that occurs in relation to the total number of words.	DICTION	Boilerplate
CONCRETENESS	Dependent variable	The number of tangible and material words that occur in relation to the total number of words.	DICTION	Boilerplate
EMULATION	Dependent variable	Resemblance between companies within the same year.	WCopyfind	Boilerplate
WORDLIST	Dependent variable	The number of accounting terms that occur in relation to the total number of words.	WCopyfind, Accounting Tools Dictionary	Boilerplate
STICKINESS	Dependent variable	Resemblance within one specific companies between years.	WCopyfind	Stickiness
MARKET_CAP	Independent variable	The companies' annual market capitalisation, by the end of the year.	Orbis, Avanza, manual collection from AR	Size
AUDIT	Independent variable (Dummy)	Two auditor sub-categories: Big 4 and Others.	Retriever business	Audit firm
INDUSTRY	Independent variable (Dummy)	Two industry sub-sectors: Manufacturing and Non-Manufacturing	Orbis	Industry
PERIOD	Independent variable (Dummy)	Two period sub-categories: Pre (2014-2015) and Post (2016-2017) the amendments became effective.		The effect of the amendments
ROA	Control variable	Return on Assets of the current year.	Orbis, manual collection from AR	Profitability
MARKET_CAP x POST	Interaction variable	Market capitalisation interacted with the period Post.		Adoption of change

Notes: Table 2 displays information regarding the variables used in this study.

McMullin et al., 2014; Meek et al., 1995; Raffournier, 1995; Singhvi and Desai, 1971). According to Singhvi and Desai (1971) less profitable companies tend to provide insufficient disclosures, compared to more profitable companies, in order to avoid declaring the cause of the diminishing profitability. Additional theory states that less profitable companies disclose more in order to convince the stakeholders that even though the profitability is decreasing the company is reliable (Neu, Warsame & Pedwell, 1998; Raiborn, Butler & Massoud, 2011).

Table 3 - Intended outcome by the IASB

Variable	Intended outcome	Description
UNIQUE_WORDS	(+)	Increase in the use of unique words
SPECIFIC_TERMS	(+)	Increase in the use of company specific terms
CONCRETENESS	(+)	Increase in the use of words that are tangible and material
EMULATION	(-)	Decrease in the use of standardised text across companies
WORDLIST	(-)	Decrease in the use of standardised accounting terms
STICKINESS	(-)	Decrease in the use of standardised text within companies across time

Notes: In table 3 we specify our dependent variables combined with the intended outcome with the amendments to IAS 1 in order to make the interpretation of the regression analyses easier.

Table 4 - Audit overview

Audit firm	Companies/ audit firm (2014)	Companies/ audit firm (2015)	Companies/ audit firm (2016)	Companies/ audit firm (2017)
Big 4	138	138	138	121
Other	6	6	6	6
Total no. of observed companies	144	144	144	127

Notes: The table indicates the distribution of audit firms amongst the companies in our sample. More specifically divided by the Big 4 audit firms as well as a residual, i.e. "Other". See appendix for full overview of the division between audit firms.

Table 5 - Industry overview

Industry	Companies/ industry (2014)	Companies/ industry (2015)	Companies/ industry (2016)	Companies/ industry (2017)
Manufacturing	65	65	65	57
Non-Manufacturing	79	79	79	70
Total no. of observed companies	144	144	144	127

Notes: In table 5 the distribution of industries over our selected sample are on display. The industries are classified according to Standard Industrial Classification (SIC) which is a system of classifying industries by a three-digit code. See appendix for full overview of the division between industries.

4. Summary statistics and results

Descriptive statistics

Table 6 is divided into two panels, where each panel contains data pre and post the amendments to IAS 1 became effective. When comparing the mean with the median for the variables, one can see that for UNIQUE_WORDS, SPECIFIC_TERMS, CONCRETENESS, EMULATION, WORDLIST and STICKINESS the data is distributed normally. However, the data for MARKET_CAP and ROA is not normally distributed and in order to adjust for the width and outliers in those variables, hence create a better distribution, two new variables was created. The natural logarithm was derived for MARKET_CAP_LN and ROA was winsorized to the 5th and 95th percentile, creating ROA_w. The result of this indicates a normally distributed data and due to this, MARKET_CAP_LN and ROA_w will be used in further tests.

In general, one could argue that MARKET_CAP and ROA have increased between the PERIOD pre and post the amendments became effective, indicating that the companies have become bigger and more profitable. Comparing the mean for our dependent variables for the two periods, i.e. pre and post, one could see a decreasing tendency of EMULATION, WORDLIST and STICKINESS as well as an increasing tendency in UNIQUE_WORDS and SPECIFIC_TERMS, which is in line with the intended outcome of the amendments to IAS 1 (IASB, 2017). In regards to CONCRETENESS, an unintended, by the IASB, decrease is observed, however it is an insignificant one. Even though, the result indicates that the level of specificity has increased since two out of three measurements have had the intended effect. Consequently, one could argue that the overall result in table 6 implies a decrease in the usage of boilerplate and stickiness in annual reports for Swedish listed companies, i.e. the disclosure quality has increased.

Table 6 - Descriptive statistics 2014-2017

Variables	Pre the amendments became effective						
	Mean	Std.Dev	Min	p25	p50	p75	Max
Panel A - Descriptive statistics 2014-2015							
UNIQUE_WORDS	0.4058	0.0133	0.3778	0.3958	0.4052	0.4135	0.4575
SPECIFIC_TERMS	0.2199	0.0899	0.0879	0.1583	0.2027	0.2553	0.6991
CONCRETENESS	0.1444	0.0457	0.0515	0.1118	0.1351	0.1724	0.3323
EMULATION	0.0505	0.0186	0.0075	0.0374	0.0512	0.0627	0.1032
WORDLIST	0.0349	0.0072	0.02	0.03	0.03	0.04	0.05
STICKINESS	0.8715	0.1112	0.28	0.83	0.91	0.94	0.99
MARKET_CAP	27774.44	61465.37	139.43	1256.87	4895.77	21575.37	472527.4
ROA	0.0338	0.2014	-1.7164	0.0261	0.0539	0.0912	0.5187
MARKET_CAP_Ln	8.616	1.8773	4.9376	7.1363	8.4961	9.9793	13.0659
ROA_w	0.0466	0.0971	-0.2283	0.0361	0.0539	0.0912	0.2152

Post the amendments became effective							
Panel B - Descriptive statistics 2016-2017							
UNIQUE_WORDS	0.4066	0.0129	0.3675	0.3979	0.4065	0.415	0.4436
SPECIFIC_TERMS	0.2259	0.0922	0.0974	0.1617	0.2086	0.2646	0.7669
CONCRETENESS	0.1427	0.0489	0.0453	0.1097	0.1351	0.1724	0.3323
EMULATION	0.0456	0.0189	0.0088	0.0332	0.0449	0.0591	0.0998
WORDLIST	0.034	0.0777	0.01	0.03	0.03	0.04	0.06
STICKINESS	0.8118	0.1335	0.32	0.74	0.85	0.91	0.99
MARKET_CAP	33542.74	64277.8	98.74	1872.58	6364.74	31135.83	416816.7
ROA	0.0546	0.1341	-0.6566	0.0314	0.0627	0.103	0.5808
MARKET_CAP_In	8.9012	1.9077	4.5925	7.5351	8.7585	10.3461	12.9404
ROA_w	0.0572	0.0899	-0.2283	0.0314	0.0627	0.103	0.2153

Notes: Table 6 is a summary of our sample data and an indication of the normal distribution of that data. The table are divided into two different panels which describes the descriptive statistics pre and post the amendments became effective. The parameters on display such as the mean, standard deviation, minimum, maximum and the 25th, 50th and 75th quartile describes the distribution of the data.

One-way ANOVA

In table 7, the mean and level of significance, indicating if the mean is significantly different, for the categorical variables are tabulated. The outcome for AUDIT in panel A shows a significant difference between the Big 4 audit firms and others at 0.05 and 0.01, regarding, the amount of SPECIFIC_TERMS and EMULATION. Disregarding the significance level, the panel in general presents a result indicating that other audit firms appear to have better disclosures, i.e. less boilerplate and stickiness. Nonetheless, this is not in line with previous research, where it is argued that the Big 4 audit firms affect their customers' disclosure to be more aligned with what is intended by regulators (Alsaeed, 2006; Camfferman & Cooke, 2002). Further, in panel B, INDUSTRY indicates that there is a significant difference between manufacturing and non-manufacturing companies at a level of 0.05 for SPECIFIC_TERMS, CONCRETENESS, EMULATION and WORDLIST. Additionally, when comparing the means for manufacturing companies and non-manufacturing companies, it is not in line with previous research (Alsaeed, 2006; Camfferman & Cooke, 2002), which argues that disclosures from manufacturing companies tends to be more consistent with regulations, while the result indicates that the different industry categories are quite equal. Looking at the level of significance in panel C for PERIOD, it displays two significant differences at 0.05 and 0.01 for the dependent variables EMULATION and STICKINESS. When doing a mean comparison and disregarding the significance, the panel also indicates, that the companies in our sample have increased their disclosure quality after the amendments to IAS 1 became effective, which is in line with the intended outcome (IASB, 2017).

Table 7 - Descriptive mean comparison AUDIT, INDUSTRY and LIST

Panel A - AUDIT			
Variables	Big 4	Other	p-value
UNIQUE_WORDS	0.4061	0.407	0.7571
SPECIFIC_TERMS	0.221	0.2332	0.0259
CONCRETENESS	0.1439	0.1358	0.4076
EMULATION	0.0488	0.0329	0.0001
WORDLIST	0.0345	0.0346	0.9410
STICKINESS	0.8436	0.8408	0.9400
Panel B - INDUSTRY			
Variables	Manufacturing	Non-Manufacturing	p-value
UNIQUE_WORDS	0.4056	0.4066	0.3708
SPECIFIC_TERMS	0.2376	0.2107	0.0005
CONCRETENESS	0.1332	0.1521	0.0000
EMULATION	0.0499	0.0466	0.0407
WORDLIST	0.0354	0.0337	0.0082
STICKINESS	0.842	0.8448	0.8555
Panel C - PERIOD			
Variables	Pre	Post	p-value
UNIQUE_WORDS	0.4058	0.4066	0.4463
SPECIFIC_TERMS	0.2199	0.2259	0.4310
CONCRETENESS	0.1444	0.1427	0.6835
EMULATION	0.0505	0.0456	0.0022
WORDLIST	0.0349	0.034	0.1691
STICKINESS	0.8715	0.8417	0.0159

Notes: Table 7 presents the result from the One-Way ANOVA tests, which indicates whether there are any statistically significant differences within the dependent variables mean, broken down by the categorical variable in each panel. The table also presents the means.

Pearson's Correlation

Low negative correlations, with a statistically significant level of 0.01, are found in table 8 between MARKET_CAP and our two dependent variables EMULATION and WORDLIST. This indicates that firm size most likely has a small impact in the way companies tend to disclose, i.e. bigger companies' disclosures contains less boilerplate. Further, there is a low positive correlation between MARKET_CAP and SPECIFIC_TERMS, which is statistically significant to a level of 0.01. This is in line with what prior research argues, i.e. bigger companies' disclosures are more specific, hence contain less boilerplate. Moreover, there is a low positive correlation between ROA and WORDLIST, which is statistically significant to a level of 0.01. However, since it is low and the only dependent variable that indicates a correlation with ROA that has a significant level to at least 0.1, it does not indicate that there is a correlation between ROA and our dependent variables. According to our One-way ANOVA and Pearson's Correlation, there are indications that some of our dependent variables

are correlated with our independent variables. Therefore the step to conduct regression analyses are self-evident, which is done in section 5.

Table 8 - Pearson's Correlation

Variable	MARKET_CAP	ROA
UNIQUE_WORDS	-0.0096	0.0267
SPECIFIC_TERMS	0.1176***	0.0256
CONCRETENESS	-0.0315	0.0072
EMULATION	-0.2333***	0.0053
WORDLIST	-0.2492***	0.1294***
STICKINESS	-0.0912	-0.0121
MARKET_CAP	1	0.2982***
ROA		1

Notes: Indicates the result from a pairwise correlation between all of our numerical variables. A 10 percent significant is indicated by *, 5 percent significance is indicated by ** and lastly a 1 percent significance is indicated by ***.

5. Regression analysis

In order to test for our hypotheses, hence if the amendments to IAS 1 have affected the amount of boilerplate and stickiness disclosed in annual reports, as well as if firm size, audit firm and industry have any effect on the amount of boilerplate and stickiness that companies tend to disclose, multiple regression analyses are conducted. To be able to test for all dependent variables included in this study, four different empirical models are developed:

$$\text{Boilerplate} = \alpha + \beta_1 \text{MARKET_CAP} + \beta_2 \text{BIG4} + \beta_3 \text{MANUFACTURING} + \beta_4 \text{POST} + \beta_5 \text{ROA} + \varepsilon$$

$$\text{Stickiness} = \alpha + \beta_1 \text{MARKET_CAP} + \beta_2 \text{BIG4} + \beta_3 \text{MANUFACTURING} + \beta_4 \text{POST} + \beta_5 \text{ROA} + \varepsilon$$

Empirical models with interaction variable:

$$\text{Boilerplate} = \alpha + \beta_1 \text{MARKET_CAP} + \beta_2 \text{BIG4} + \beta_3 \text{MANUFACTURING} + \beta_4 \text{POST} + \beta_5 \text{ROA} + \beta_6 (\text{MARKET_CAP} \times \text{POST}) + \varepsilon$$

$$\text{Stickiness} = \alpha + \beta_1 \text{MARKET_CAP} + \beta_2 \text{BIG4} + \beta_3 \text{MANUFACTURING} + \beta_4 \text{POST} + \beta_5 \text{ROA} + \beta_6 (\text{MARKET_CAP} \times \text{POST}) + \varepsilon$$

Each of our regression models are conducted on our sample of Note 1 within annual reports. The first model tests for the amount of boilerplate, i.e. UNIQUE_WORDS, SPECIFIC_TERMS, CONCRETENESS, EMULATION and WORDLIST, in five separate regression analyses. The second model controls for the amount of stickiness, by the variable STICKINESS.

Table 9 shows a positive coefficient between the independent variable MARKET_CAP and SPECIFIC_TERMS (2), at a significant level of 0.01, which indicates that an increase in MARKET_CAP results in an increase in SPECIFIC_TERMS included in the disclosures. This is in line with the stated expectations with this study and earlier research which argues that bigger companies tend to have better disclosure quality (Bamber et al., 2010; Jiao, 2011; Lang

& Lundholm, 1993; Lee, et al., 2006), i.e. more SPECIFIC_TERMS. UNIQUE_WORDS (1) and CONCRETENESS (3) on the other hand, indicates negative coefficients with MARKET_CAP, which is the opposite of what was expected, since this means that an increase in MARKET_CAP results in a decrease in UNIQUE_WORDS and CONCRETENESS, i.e. bigger companies have lower disclosure quality. Furthermore there are statistically significant, to a level of 0.01, negative coefficients for our variables EMULATION (4) and WORDLIST (5) in relation to MARKET_CAP. This is in line with the expectations of this study and earlier research, since bigger companies tend to have less boilerplate, which is argued to increase the disclosure quality. Lastly, STICKINESS (6) also has a negative coefficient with MARKET_CAP, but it is not significant.

The dependent variable AUDIT is tested within the regression by the dummy variable BIG4. What can be found within the outcome is that both UNIQUE_WORDS and SPECIFIC_TERMS, have a negative coefficient with BIG4, which indicates that companies that have the Big 4 as auditors have a higher amount of boilerplate. This is not in line with prior research, which argues that companies with the Big 4 as auditors have better disclosure quality, i.e. lower amount of boilerplate (Alsaed, 2006; Camfferman and Cooke, 2002). Further, CONCRETENESS has a positive coefficient with BIG4, meaning that companies with the Big 4 as auditors have higher specificity, i.e. lower amount of boilerplate. However, it is only SPECIFIC_TERMS that is statistically significant, to a level of 0.05. Regarding EMULATION and STICKINESS, both have a positive coefficient with BIG4, where EMULATION is significant to a level of 0.01. This is, as previously stated, the opposite of what has been found within prior studies. Lastly, WORDLIST has a non-significant negative coefficient with BIG4, meaning that companies with the Big 4 as auditors have lower boilerplate, i.e. higher disclosure quality, which is what prior research argues.

The third presented independent variable within table 9 is INDUSTRY, where MANUFACTURING has been included as a dummy variable. UNIQUE_WORDS and CONCRETENESS have a negative coefficient with MANUFACTURING, where CONCRETENESS is significant to a level of 0.01. This indicates that manufacturing companies have lower specificity, i.e. higher amount of boilerplate, which is not in line with prior research, arguing that manufacturing companies have higher disclosure quality (Alsaed, 2006; Camfferman and Cooke, 2002). Further, SPECIFIC_TERMS shows a positive coefficient that is significant to a level of 0.01, meaning that manufacturing companies have higher specificity, consistent with prior research. The variables EMULATION and WORDLIST indicates significant positive coefficients, at levels of 0.1 respectively 0.05. This argues for that manufacturing companies tend to have higher amount of boilerplate, i.e. lower disclosure quality, which deviates from prior research. Finally, STICKINESS has a non-significant negative coefficient, which is in line with prior research and expected outcome.

Table 9 also shows the result for the independent variable PERIOD by including the dummy POST. Firstly, UNIQUE_WORDS and SPECIFIC_TERMS have non-significant positive coefficients, which indicates that the level of specificity has increased after the amendments became effective, in line with the intended outcome with the amendments to IAS 1 (IASB, 2017). Conversely, CONCRETENESS has a non-significant negative coefficient. Further, EMULATION, WORDLIST and STICKINESS indicates a negative coefficient, where EMULATION and STICKINESS are significant to a level of 0.01. This indicates that

boilerplate and stickiness have decreased after the amendments became effective, which is in line with the intended outcome by the IASB (2017).

The variables UNIQUE_WORDS, SPECIFIC_TERMS and CONCRETENESS shows non-significant positive coefficients with ROA, which indicates that more profitable companies tend to have higher specificity, i.e. lower amount of boilerplate. Furthermore, EMULATION, WORDLIST and STICKINESS indicates that a positive coefficient with ROA exists, however only the coefficient between WORDLIST and ROA is significant, to a level of 0.01. These findings deviates from previous research where companies that are less profitable tend to provide insufficient disclosures, compared to more profitable companies, in order to avoid to declare the cause of the diminishing profitability (Singhvi and Desai, 1971). Conversely, additional theory states that less profitable companies disclose more in order to convince the stakeholders that even though the profitability is decreasing the company is reliable (Neu et al., 1998; Raiborn et al., 2011).

Table 9 - Result from OLS regression

Variables	UNIQUE_WORDS (1)	SPECIFIC_TERMS (2)	CONCRETENESS (3)	EMULATION (4)	WORDLIST (5)	STICKINESS (6)
MARKET_CAP	-0.0002 (-0.49)	0.0061*** (2.93)	-0.0011 (-0.99)	-0.0025*** (-6.05)	-0.0012*** (-7.37)	-0.0053 (-1.27)
BIG 4	-0.0012 (-0.44)	-0.0478** (-2.50)	0.0077 (0.78)	0.0173*** (4.51)	-0.0008 (-0.55)	0.0033 (0.09)
MANU-FACTURING	-0.001 (-0.90)	0.0274*** (3.61)	-0.019*** (-4.80)	0.0031** (2.05)	0.0016*** (2.65)	-0.0034 (-0.22)
POST	0.0008 (0.75)	0.0041 (0.54)	-0.0014 (-0.35)	-0.0042*** (-2.77)	-0.0007 (-1.20)	-0.0582*** (-3.88)
ROA	0.0049 (0.77)	0.0132 (0.31)	0.0043 (0.19)	0.0098 (1.13)	0.0186*** (5.43)	0.0266 (0.31)
Constant	0.4085*** (108.51)	0.1998*** (7.84)	0.1547*** (11.65)	0.0539*** (10.54)	0.0446*** (22.09)	0.9147*** (18.25)
<i>R-squared</i>	0.0039	0.0483	0.0427	0.1128	0.1216	0.0623
<i>Observations</i>	559	559	559	559	559	271

Notes: Displayed in table 9 are the result from our OLS-regression. The table also presents the variables coefficients and values of t-statistics within the parentheses. A 10 percent significant is indicates by *, 5 percent significance is indicated by ** and lastly a 1 percent significance is indicated by ***.

Regression analysis with interaction variable

Table 10 answers for the same regression analyses as presented above, including the interaction variable between POST the amendments became effective and MARKET_CAP. What could be identified within the outcome is that SPECIFIC_TERMS and CONCRETENESS have positive coefficients with the interaction variable, meaning that a higher MARKET_CAP in the period after will have a higher effect on SPECIFIC_TERMS and CONCRETENESS. This

is in line with the expected outcome, i.e. higher amount of SPECIFIC_TERMS and CONCRETENESS indicates higher specificity, i.e. lower amount of boilerplate and therefore higher disclosure quality. Further, it indicates that larger companies have adopted the amendments better, since the increase in specificity is higher for bigger companies. However, UNIQUE_WORDS has a negative coefficient which is not in line with the expected outcome. For EMULATION and STICKINESS the result shows a negative coefficient for the interaction variable, indicating that higher MARKET_CAP in the period after will have a higher effect on EMULATION and STICKINESS. Consequently, larger companies will have a lower amount of EMULATION and STICKINESS, i.e. lower boilerplate and stickiness and therefore higher disclosure quality after the amendments became effective, which is in line with the expected outcome within this study. Conversely, WORDLIST, has a positive coefficient for the interaction variable, which is the opposite of what was expected. Thus, the only dependent variable that shows significance is STICKINESS, with a significance level of 0.05.

Table 10 - Result from OLS regression with interaction variable

Variables	UNIQUE_WORDS (1)	SPECIFIC_TERMS (2)	CONCRETENESS (3)	EMULATION (4)	WORDLIST (5)	STICKINESS (6)
MARKET_CAP	0.0001 (0.25)	0.006** (2.09)	-0.0012 (-0.83)	-0.0023*** (-4.04)	-0.0013*** (-5.61)	0.0042 (0.74)
BIG 4	-0.0012 (-0.41)	-0.0478 (-2.50)	0.0077 (0.77)	0.0174*** (4.53)	-0.0008 (-0.56)	0.0066 (0.18)
MANU- FACTURING	-0.001 (-0.90)	0.0274*** (3.61)	-0.019*** (-4.80)	0.0031** (2.05)	0.0016*** (2.65)	-0.0039 (-0.26)
POST	0.0054 (1.03)	0.0016 (0.04)	-0.0043 (-0.23)	-0.0004 (-0.06)	-0.0017 (-0.60)	0.113 (1.58)
ROA	0.0049 (0.76)	0.0132 (0.31)	0.0043 (0.19)	0.0097 (1.12)	0.0186*** (5.43)	0.0212 (0.25)
MARKET_CAP x PERIOD	-0.0005 (-0.89)	0.0003 (0.07)	0.0003 (0.16)	-0.0004 (-0.54)	0.0001 (0.36)	-0.0193** (-2.45)
Constant	0.4062*** (88.85)	0.201*** (6.49)	0.1561*** (9.68)	0.052*** (8.37)	0.0451*** (18.38)	0.8294*** (13.68)
<i>R-squared</i>	0.0053	0.0483	0.0427	0.1133	0.1218	0.0832
<i>Observations</i>	559	559	559	559	559	271

Notes: Displayed in table 10 are the result from our OLS-regression with our interaction variable. The table also presents the variables coefficients and values of t-statistics within the parentheses. A 10 percent significant is indicated by *, 5 percent significance is indicated by ** and lastly a 1 percent significance is indicated by ***.

6. Conclusion

The purpose of this study has been to investigate whether the amendments to IAS 1, implemented as of January 1, 2016, have affected the way Swedish listed companies disclose

in Note 1 of their annual reports, i.e. have reduced the amount of boilerplate and stickiness. In addition to this, we also investigated if firm size, selection of audit firm and industry impacts the amount of boilerplate and stickiness within their disclosures. This study's result contributes by providing an understanding for regulators and standard setters of the effect of the latest amendments to IAS 1. Further, it contributes within the accounting research field by studying disclosure quality within the accounting choice literature.

Our results indicated that there is a tendency towards the, by the IASB, intended outcome, meaning that disclosures by the companies in our sample have become better after the amendments to IAS 1 became effective. More specifically, the performed tests indicated that all dependent variables except one shifted in the desired direction, however only two of our variables showed any significance. Even though there is a lack of significance, one could still argue that the small changes indicates that the companies have reacted and are aiming to improve their disclosures. This is consistent with Nasdaq Stockholm's (2017) investigation when reviewing annual report from the fiscal year 2016 where they conclude that disclosures from Swedish listed companies appear to have increased their disclosure quality, however not to the extent as intended by the IASB. According to Marton and Runesson (2013) implementation of new standards could take time since there are inertia in companies, indicating that there is a delay between the implementation and when the intended effect becomes evident, i.e. a learning curve exists.

Firm size, measured as market capitalisation in this paper, impacts to some extent the amount of boilerplate and stickiness disclosed in Note 1 by Swedish listed companies within their annual reports. This conclusion is supported as three of our dependent variables showed a significant correlation with market capitalisation, as well as one variable which shifted within the expected direction. Previous research has confirmed this relationship, since their findings indicate that firm size has a positive relationship with disclosure quality, i.e. that bigger companies tend to have higher disclosure quality (Bamber et al., 2010; Jiao, 2011; Lang & Lundholm, 1993; Lee et al., 2006).

In connection to market capitalisation and the two periods which the data was divided by, the interaction variable investigated whether bigger companies did adopt the amendments more in line with the intended outcome (IASB, 2017). What was found within the regression was a trend where the predominantly part of the variables showed indications that companies with higher market capitalisation have a bigger change in boilerplate and stickiness after the amendments became effective. Even though the significance for this result is rather poorly, it is still arguable that the bigger companies have adopted the amendments to a larger extent.

The results from our preformed tests for audit firms did show significance for some of our dependent variables. Thus, these variables indicated that companies that use other audit firms tend to have better disclosure quality than companies that have one of the Big 4 audit firms. In general, disregarding the significance, one could argue that the companies using one of the other audit firms seem to have better disclosure quality. This result is not in line with prior research, which has found that companies with big audit firms tend to disclose more in line with regulations (Alsaed, 2006; Camfferman & Cooke, 2002).

Regarding industry, the statistics and regressions did partly indicate there to be significant differences between manufacturing and non-manufacturing companies. However, there was no clear indication that manufacturing companies tend to have better disclosure

quality, which deviates from what prior research has found (Alsaeed, 2006; Camfferman & Cooke, 2002).

This research is not without important caveats. Studies' including boilerplate and stickiness are an area that has not yet been subject to much research, which indicates that the measurements provided in this paper could be argued to require further validation. In addition to this, the size of our sample might be considered too small with only 144 companies, however, in relation to the population of Swedish listed companies, the sample could be argued to be of adequate size. The initial reason for the sample size is due to the time consuming processes that took place when manually collecting the text from Note 1 for each company, partly constructing our measures and, lastly, carrying out several tests in order to collect our data. In addition to this, we had to remove 156 companies from our initial sample that did not fulfil the criterion of this study. There is also a deviant number of observations across the years, where the number of observations for 2017 is lower than previous years. The reason being that annual reports for 2017 had not yet been published for all the companies in our sample at the time of our study which led to fewer observations for 2017. Further, when we investigated the possible impact of audit firms on disclosure quality, the division between companies having either the Big 4 or others could be argued to be inadequate. This could possibly have an impact on the result since companies that are either very good or very bad, will have a bigger impact on a small sample than a large sample. However, the division could be due to that Swedish listed companies tend to use one of the Big 4 as auditors.

Since there are constant changes within the different regulations concerning financial statements, there will always be relevant and up to date areas to investigate. For instance, there are possibilities studying the future outcome of a change, i.e. both opportunities and risks. Also it would be possible to look at the result of a change within the regulations, which is similar to this study. According to Leuz and Wysocki (2016) there is a need to understand how the regulation processes emerges in order to get a deeper understanding for the standards. This since there is inadequate research of what determines if the standards are perceived as successful or not. Runesson (2015) states there to be possibilities in investigating what effect concepts such as disclosure overload and boilerplate can have on the users of annual reports. Except for this study, there are possibilities to continuously follow the changes by the IASB within the Disclosure Initiative in order to see what it will lead to further. However, we suggest research on the same topic as ours in a few years in order to see whether the effect of the amendments to IAS 1 has become more substantial. This since our result could indicate that there exists a learning curve when implementing new standards, which is in line with what Nasdaq Stockholm (2017) finds in their report, indicating that a more substantial effect of the amendments could be evident in a few years from now. Additionally it would be of interest to broaden this study and include several countries that apply IFRS in order to get a larger sample and a better division between different audit firms. Furthermore, there is a need to further validate the proxies for our variables, hence find additional measurements and repeated use to gain validity.

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Appendix

Audit overview

Audit firm	No. of companies/audit firm
Deloitte	28
EY	31
KPMG	24
PwC	55
Other	6
Total no. of observed companies	144

Notes: *The table indicates the distribution of audit firms amongst the companies in our sample. More specifically over the four largest audit firms as well as a residual, i.e. "Other".*

Industry overview

Industry	No. of companies/industry	SIC
Mining	4	10-14
Construction	4	15-17
Manufacturing	65	20-39
Transportation, Communications, Electric, Gas and Sanitary Services	7	40-49
Wholesale Trade	6	50-51
Retail Trade	8	52-59
Finance, Insurance and Real Estate Services	21	60-67
Public Administration	28	70-89
	1	91-99
Total no. of observed companies	144	

Notes: *In this table the distribution of industries over our selected sample are on display. The industries are classified according to Standard Industrial Classification (SIC) which is a system of classifying industries by a three-digit code.*