



Measuring and assessing tone at the top using annual report CEO letters

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CEOs have a strong influence on the tone at the top of companies. How they exercise this influence has the potential to affect the quality of financial reporting. Consequently, it is important that auditors and other users find a way of examining and evaluating the tone at the top and the resultant risks to which companies might be exposed. The authors contend that the CEO letter to shareholders in annual reports is one of the most important of the mediums used by corporate leaders to communicate their attitudes and values. They argue that by analysing the text of such letters, auditors and other interested parties can gain insight into the tone at the top of major corporations. This book demonstrates two complementary methods for undertaking this analysis. First, through the use of the text analysis software package DICTION to analyse the CEO letters of FTSE 100 companies and the top 100 FORTUNE 500 companies. Second, through conducting a close reading or forensic examination of selected company letters (General Electric, Enron, BP and New Century Financial) to understand their inherent ideology, rhetoric and use of metaphors, and to highlight any silences.

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Documents

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Annual report templates...Business reports. CEO letter to Share holders and Employess for the annual report of company.Show modest pride if your company has had a successful year. New Always Slender for Teens was expanded nationally late in the year and is directed specifically at the teenage catamenial market. In June, Luvs Deluxe diapers with improved containment and ultra thin padding were expanded into national distribution. In the laundry and cleaning products segment, a number of reformulated and companion products to existing Company brands were expanded successfully to national distribution. Annual reports led by publicly traded rms pursuant to the Securities Ex-change Act of 1934, Form 10-Ks, are the primary source of information for capi-tal market participants such as shareholders, creditors, and nancial analysts. The readability and other textual properties of nancial disclosures thus have a great impact on the effective communication of valuation-relevant information between the rm and the market (Loughran and McDonald (LM) (2014)). In other words, the ambiguous tone of annual reports could increase a rm's perceived information risk, which is then priced by creditors. (2008), Bharath, Dahiya, Saunders, and Srinivasan (2011)) uses the loan spread over LI-BOR at the time of the loan origination as a measure of the cost of bank debt.