

# Chapter 6

## An Assessment of the Sentiments Behind the IASB's Standards: An Exploratory Analysis of IAS 37

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### **ABSTRACT**

*This exploratory study aims to assess the aspects related to the message tone, magnitude, subjective-objective distinction, and thematic area behind the text collected from the International Accounting Standards Board (IASB) standard that outlines the accounting for provisions, contingent liabilities and contingent assets, i.e., International Accounting Standard (IAS) 37 - Provisions, Contingent Liabilities and Contingent Assets. The study uses archival research as a method and content analysis as a technique. The analysis is supported by an application programming interface, which uses text analytics based on natural language processing and machine learning. The findings show a most predominant negative approach underlying the message, regardless of the aspects under assessment, which also have a higher level of magnitude on average. Furthermore, messages are mostly subjective or of an unknown nature, particularly for those related to more technical aspects of IAS 37. Finally, those aspects present reduced scores of their classification within the “Business and Finance.”*

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## INTRODUCTION

Mining text documents, namely regarding sentiment analysis, have been receiving increasing attention from the literature due to their wide applicability in several areas (e.g., Fakalou, 2024; Hajek & Munk, 2023; Hamed et al., 2020; Kearney & Liu, 2014; Krishnamoorthy, 2018).

Sentiment analysis or opinion mining involves extracting and assessing information from textual data to capture the sentiment or opinion expressed (Pagliarussi et al., 2016). Two main types of classification are commonly found: subjectivity, which intends to differentiate subjective from objective opinions in a given text; and sentiment, which captures whether the message tone is positive, negative, or neutral (Bochkay et al., 2023; Pagliarussi et al., 2016).

Deep learning models to study sentiment analysis have been applied in several areas, namely in the behavioural finance field (Gandía & Huguet, 2021), where sentiment analysis and speech emotion recognition have the potential to capture the intentions and opinions of corporate stakeholders (Hajek & Munk, 2023). Also, research on sentiment analysis in financial reporting and market prediction has shown that the sentiment expressed in financial news, earnings calls, and reports can provide valuable predictive indicators for market trends and company performance, and frequently influences investor decisions (Faccia et al., 2024).

Those methodologies have a great potential for application in accounting research (Fisher et al., 2016; Gandía & Huguet, 2021; Loughran & McDonald, 2016). This is due to the volume of documents used for communicating qualitative information as a complement to financial statements (such as Management Discussion and Analysis (MD&A) reports, earnings press releases, or corporate social responsibility reports), and to the growth in the use of digital tools and social media (Gandía & Huguet, 2021).

Furthermore, sentiment analysis techniques can help researchers investigate if the tone behind the companies' disclosures contains implicit clues not evident in numerical data, whether information on the analysts' reports contains data beyond their ratings or opinions, and if the sentiment attempts to influence users' decision-making processes (Gandía & Huguet, 2021). In this context, researchers have been studying several topics, such as fraud detection (Bhattacharya & Mickovic, 2024; Faccia et al., 2024), non-financial disclosures (Mućko, 2021), financial condition (Hajek & Munk, 2023; Pagliarussi et al., 2016; Zhong & Ren, 2022), or the tone at the top (Patelli & Pedrini, 2015).

Nevertheless, compared with quantitative methods traditionally employed in accounting, auditing, and finance, textual analysis is less precise (Loughran & McDonald, 2016). Besides, despite the potential to complement traditional numerical analysis (Faccia et al., 2024), the use of textual analysis and sentiment analysis

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