Is Management Trying to Cover up the Performance of Their Company?*

Unveiling Red Flags in Management's Discussion and Analysis

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April 2, 2024

Every quarter, management must release a document outlining the performance of their company, however, these documents often reveal nothing to the naked eye. Through lengthy documents, abundant filler words, and a lack of transparency, understanding these red flags is crucial for stakeholders to make informed decisions.

1 Introduction

While blatant attempts to conceal aspects of their company have often become headlines, the subtler attempts often go under the radar. More filler words and longer sections have become a staple in almost every SEC filing. Understanding these subtle flags is paramount for stakeholders to safeguard their portfolios.

This paper aims to understand SEC filings, and demonstrate the correlation between the Management Discussion and Analysis (MD&A) section, and the value of the stock. Using R (R Core Team 2023), we are able to process the retrieved data, and build a model that accurately represents the trend between MD&A's and the price of the stock.

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*Code and data are available at: https://github.com/Niyer02/sec-market-comparison

Table 1

2 Data

3 Model

3.1 Model set-up

3.1.1 Model justification

4 Results

5 Discussion

5.1 First discussion point

5.2 Second discussion point

5.3 Third discussion point

5.4 Weaknesses and next steps

Appendix

A Additional data details

B Model details

B.1 Posterior predictive check

B.2 Diagnostics

References

R Core Team. 2023. *R: A Language and Environment for Statistical Computing.* Vienna, Austria: R Foundation for Statistical Computing. https://www.R-project.org/.