

Unearthing Financial Statement Fraud: Insights from News Coverage Analysis

阅读：程心烨

1. What are the research questions ?

- How to construct a more effective financial statement fraud detection framework by improving label measurement, feature set, and detection model?

2. Why are the research questions interesting?

- Financial statement fraud harms investors and market credit, yet existing measures ignore unrevealed fraud,, making research on more comprehensive measurement urgent and valuable.
- Previous FS fraud detection feature sets rarely consider peer effects, so exploring integrating peer factors fills gaps and boosts accuracy, adding research value.
- Most studies rely on few classic algorithms with limited performance improvement; using meta-learning to aggregate classifiers advances the technology.

3. What is the paper's contribution?

- Contributes to FS fraud measurement by building news-based FSFP, a continuous variable covering more fraud samples and boosting real fraud recall.
- Improves peer grouping via text similarity and CNM algorithm, outperforming traditional methods in reflecting business relations.
- Proposes PeerMeta framework (richer features, meta-learning), finding factors lift recall while algorithms enhance precision.

4. What hypotheses are tested in the paper? List them explicitly.

- H1: The news-based FS fraud measure (FSFP) can reflect unrevealed FS fraud behaviors, and is negatively correlated with the strictness of the regulatory environment.
- H2: Peer effects exist in FS fraud of Chinese listed companies, and market competition is the underlying mechanism of these peer effects.
- H3: The PeerMeta framework has higher recall for FS fraud detection than existing frameworks, and recall is more crucial for the framework's economic value than precision.

(a) Do these hypotheses follow from and answer the research questions?

- Yes.

(b) Do these hypotheses follow from theory or are they otherwise adequately developed?

- Yes. They are well-grounded in theory and prior studies: H1 is based on the theory of media's external governance role; H2 draws on peer effect theory and corporate misconduct literature; H3 rely on machine learning integration theory and fraud detection studies.

5. Sample: comment on the appropriateness of the sample selection procedures.

- The sample selection is appropriate. It focuses on Chinese A-share listed companies from 2001-2022, using unbalanced panel data to avoid survival bias. And news data from CEND and financial data from Eastmoney/Wind are authoritative, ensuring data reliability.

6. Dependent and independent variables: comment on the appropriateness of variable definition and measurement.

- The variable definition and measurement are appropriate. All measurements are supported by prior literature and tailored to the Chinese market, with clear logical links to FS fraud.

7. Regression/prediction model specification: comment on the appropriateness of the regression/ prediction model specification.

- The model specification is appropriate. Rolling window forecasting ensures out-of-sample validity, avoiding overfitting.

8. What difficulties arise in drawing inferences from the empirical work?

- FSFP subject to media-sentiment or coverage shocks; peer networks need dynamic updates.

9. Describe at least one publishable and feasible extension of this research.

- Extend by building daily real-time FSFP via social media, test short-term fraud prediction, improving timeliness.

Tone at the Bottom: Measuring Corporate Misconduct Risk from the Text of Employee Reviews

阅读：程心烨

1. What are the research questions ?

- Can information extracted via text-based statistical methods from Glassdoor employee reviews be used to develop corporate misconduct risk indicators?
- Do these indicators predict future misconduct and whistleblower complaints beyond other observable firm characteristics?

2. Why are the research questions interesting?

- Corporate misconduct causes huge losses to firms and stakeholders, but existing information channels are backward-looking or costly, making it hard to timely assess misconduct risk.
- Employees possess unique information about firms' internal operations and culture related to misconduct. How to effectively capture this information remains unclear. Answering the questions help fill these gaps and provide timely risk assessment tools.

3. What is the paper's contribution?

- It develops text-based misconduct risk measures from employee reviews that outperform other indicators.
- Highlights employee reviews' value for internal info, complementing misconduct monitoring literature.
- Offers practical tools for stakeholders to assess internal risks.

4. What hypotheses are tested in the paper? List them explicitly.

- H1: Text-based measures MW_Index developed from Glassdoor employee reviews can effectively distinguish firms with high and low corporate misconduct risk, and predict future misconduct outcomes beyond observable firm characteristics.
- H2: MW_Index is more predictive of long-term misconduct risk and intermediate outcomes than short-term risk, especially for firms with little prior misconduct history.
- H3: MW_Index outperform Glassdoor numerical ratings in predicting corporate misconduct risk.

(a) Do these hypotheses follow from and answer the research questions?

- Yes.

(b) Do these hypotheses follow from theory or are they otherwise adequately developed?

- Yes. H1 and H3 draw on information asymmetry theory and textual analysis literature; H2 is based on the theory of organizational risk accumulation. All hypotheses are logically developed with empirical design.

5. Sample: comment on the appropriateness of the sample selection procedures.

- Sample selection is appropriate. It focuses on 2008–2017 U.S. public firms with Glassdoor reviews, excludes flawed firms, uses authoritative sources, and merges multi-source data. It's appropriate for relevance, representativeness and data reliability.

6. Dependent and independent variables: comment on the appropriateness of variable definition and measurement.

- Variable definition and measurement are appropriate. Dependent variables misconduct use observable, multi-dimensional Violation Tracker data. Independent variable MW_Index avoids

bias via text cleaning and inverse regression, splitting reviews to resolve ambiguity, with all measures literature-supported and context-fitting.

7. Regression/prediction model specification: comment on the appropriateness of the regression/ prediction model specification.

- The model is appropriately specified. It uses a two-stage approach. It controls fixed effects and confounders to reduce bias, and uses pseudo- R^2 and AUC for evaluation.

8. What difficulties arise in drawing inferences from the empirical work?

- It's hard to align the timing of MW_Index with actual risk.
- Unmeasured factors may correlate with both MW_Index and misconduct, leading to potential endogeneity.

9. Describe at least one publishable and feasible extension of this research.

- Explore how corporate governance mechanisms moderate the relationship between MW_Index and actual misconduct.