

## QUALITY, READABILITY, AND NARRATIVE ASPECTS OF MD&A REPORTS: LITERATURE REVIEW AND FUTURE RESEARCH POTENTIAL

Dr. Vijay Singh\*; Himani Singla\*\*

\*Assistant Professor,  
Department of Commerce,  
Indira Gandhi University,  
Meerpur–Rewari (Haryana), INDIA  
Email id: vijay.commerce@igu.ac.in

\*\*Ph.D Scholar,  
Department of Commerce,  
Indira Gandhi University,  
Meerpur–Rewari (Haryana), INDIA  
Email id: himani.comm.rs@igu.ac.in

**DOI: 10.5958/2249-7323.2022.00045.1**

---

### ABSTRACT

*This article provides significant insights on what has been done so far in the field of Management Discussion and Analysis (MD&A) and discuss the implications of MD&A disclosures for investors and financial analysts and future research potential in the respective area. Systematic Literature Review method is adopted for the MD&A studies as to categorize them into four different themes: An overview of MD&A structure; Quality of the MD&A disclosures & its forecast ability; Readability of MD&A reports and Narrative of MD&A disclosures. Also, future scope of the research is also discussed. It is found that the MD&A reports are really contributing in decision making of the shareholders and financial analysts in terms of predicting the future accounting results, earning per share, sales and explains going concern opinion according to existing researches, thus demanded to audit the MD&A reports as well to enhance the authenticity. Recent studies have included Artificial intelligence (AI) tool in their studies to provide more reliable results and more future researches can be done with the help of AI.*

**KEYWORDS:** *Management Discussion and Analysis (MD&A), MD&A Disclosures, Investors, MD&A Disclosure Quality.*

---

### REFERENCES

- Barron, O. E., & Kile, C. O. (1999). MD&A Quality as Measured by the SEC and Analysts' Earnings Forecasts. *Contemporary Accounting Research*, 16 (1): 75–109.
- Berger, P. G. (2011). Challenges And Opportunities In Disclosure Research—A Discussion Of The Financial Reporting Environment: Review Of The Recent Literature. *Journal of Accounting and Economics*, 15, 204–218. <https://doi.org/https://doi.org/10.1016/j.jacceco.2011.01.001>
- Bochkay, K., & Levine, C. B. (2019). Using MD&A to improve earnings forecasts. *Journal of Accounting, Auditing & Finance*, 34, 458-482.
- Brown, S. V., & Tucker, J. W. (2011). Large-Sample Evidence on Firms' Year-over-Year MD&A Modifications. *Journal of Accounting Research*, 49, 309–346. <https://doi.org/10.1111/j.1475-679X.2010.00396.x>

- Bryan, S. H. (1997). Incremental Information Content of Required Disclosures Contained in Management Discussion and Analysis. *Accounting Review*, 72, 285–301.
- Caserio, C., Trucco, S., and Panaro, D. (2016). Management Discussion and Analysis in the US Financial Companies: A Data Mining Analysis. In *Lecture Notes in Information Systems and Organisation*, 14. [https://doi.org/10.1007/978-3-319-26488-2\\_4](https://doi.org/10.1007/978-3-319-26488-2_4)
- Caserio, C., Trucco, S., and Panaro, D. (2019). Management Discussion and Analysis : A Tone Analysis on US Financial Listed Companies. *Management Decision*, 58, 510–525. <https://doi.org/10.1108/MD-10-2018-1155>
- Cho, H. & Muslu, V. (2021). How Do Firms Change Investments Based on MD&A Disclosures of Peer Firms? *The Accounting Review*, 96, 177-204.
- Clarkson, P.M., Kao, J.L., and Richardson G.D. (1994). The Voluntary Inclusion of Forecasts in the MD & A section of Annual Reports. *Contemporary Accounting Research*, 11(1): pp.423–450.
- Clarkson, P.M., Kao, J.L., and Richardson G.D. (1999). Evidence That Management Discussion and Analysis (MD&A) is a Part of a Firm's Overall Disclosure Package. *Contemporary Accounting Research*, 16 (1):111–134. <https://doi.org/10.1111/j.1911-3846.1999.tb00576.x>
- Cohen, J.R., Gaynor L.M., Holder-Webb, L.L. and Montague, N. (2008). Management's Discussion and Analysis: Implications for Audit Practice and Research', *Current Issues in Auditing*, 2(2): A26–A35. <https://doi.org/10.2308/ciia.2008.2.2.a26>
- Cole, C. (1990), 'MD&A Trends in Standard & Poor's Top 100 Companies', *Journal of Corporate Accounting and Finance*, Vol. winter(90/91), pp.127–136.
- Cole, C. J., & Jones, C. L. (2014), 'The Quality of Management Forecasts of Capital Expenditures and Store Openings in MD&A', *Journal of Accounting, Auditing & Finance*, 1–23. <https://doi.org/10.1177/0148558X14544502>
- D'Augusta, C., & De Angelis, M. D. (2020), 'Does accounting conservatism discipline qualitative disclosure? Evidence from tone management in the MD&A', *Contemporary Accounting Research*, 137 (4): 2287-2318.
- Davis, A. K., & Tama-Sweet, I. (2011). Managers' Use of Language Across Alternative Disclosure Outlets : Earnings Press Releases versus MD&A. *Contemporary Accounting Research*, 20(10):1–34. <https://doi.org/10.1111/j.1911-3846.2011.01125.x>
- Durnev, A., & Mangen, C. (2020). The spillover effects of MD & A disclosures for real investment : The role of industry competition. *Journal of Accounting and Economics*, 70(1): 1-19. <https://doi.org/10.1016/j.jacceco.2020.101299>
- Elshandidy, T., Shrives P.J., Bamber M., and Abraham, S. (2018), 'Risk reporting: A review of the literature and implications for future research', *Journal of Accounting Literature*, 40 (September 2017): 54–82. <https://doi.org/10.1016/j.acclit.2017.12.001>
- Fortin, A., & Berthelot, S. (2012). MD&A risk disclosures and nonprofessional investors' perceptions and investment decisions. In *Advances in Accounting Behavioral Research*, 15, 1-28.
- Holder-Webb, L. (2007). The Question Of Disclosure: Providing A Tool For Evaluating Managements' Discussion And Analysis. *Advances in Accounting Behavioral Research*, 10, 183–223. <http://oreilly.com/catalog/errata.csp?isbn=9781449340377>
- Hufner, B. (2007). The SEC's MD&A: Does It Meet the Informational Demands of Investors?- A Conceptual Evaluation. *SBR*, 59, 58–84.
- Kinnersley, R., & Fleischman, G. (2001). The readability of the government's letter of transmittal

relative to public company management's discussion and analysis. *Journal of public budgeting, accounting & financial management*,13(1):1-22.

Lee, J., & Park, J. (2018). The Impact of Audit Committee Financial Expertise on Management Discussion and Analysis (MD & A ) Tone. *European Accounting Review*,1–23. <https://doi.org/10.1080/09638180.2018.1447387>

Lee, Y. J. (2012). The Effect of Quarterly Report Readability on Information Efficiency of Stock Prices. *Contemporary Accounting Research*,29(4),1137–1170. <https://doi.org/10.1111/j.1911-3846.2011.01152.x>

Li, F. (2008). Annual Report Readability, Current Earnings and Earnings Persistence. *Journal of Accounting and Economics*, 45(2–3): 221–247. <https://doi.org/10.1016/j.jacceco.2008.02.003>

Li, F. (2010), 'The Information Content of Forward- Looking Statements in Corporate Filings-A Naive Bayesian Machine Learning Approach', *Journal of Accounting Research*, Vol48 No.5, pp.1049–1102. <https://doi.org/10.1111/j.1475-679X.2010.00382.x>

Lindrianasari.,Berliana, S., Alvia, L. (2017). Management Discussion and Analysis, Corporate Governance Perception Index and Market Reaction. *Corporate Ownership and Control*,14(4): 165–175. <https://doi.org/10.22495/cocv14i4art14>

Mayew, W.J., Sethuraman, M., and Venkatachalam, M. (2015). MD&A Disclosure and the Firm's Ability to Continue as a Going Concern' *The Accounting Review*, 90(4): 1621–1651. <https://doi.org/10.2308/accr-50983>

Moreno, A., & Casasola, A. (2016). A Readability Evolution of Narratives in Annual Reports: A Longitudinal Study of Two Spanish Companies. *Journal of Business and Technical Communication*,30(2): 202–235. <https://doi.org/10.1177/1050651915620233>

Muslu, V., Radhakrishnan, S., Subramanyam, K.R., and Lim, D. (2015). Environment Forward-Looking MD & A Disclosures and the Information Environment. *Management Decision*,1–18. <https://doi.org/http://dx.doi.org/10.1287/mnsc.2014.1921>

Public Company Accounting Oversight Board (PCAOB). (2004). Potential Project—Auditor's Responsibility for Communications Containing Financial Information. Standard Advisory Group Meeting, Washington, D.C.

Qian, Y. (2020). A Critical Genre Analysis of MD&A Discourse in Corporate Annual Reports. *Discourse and Communication*, 19,1-14. <https://doi.org/10.1177/1750481320910525>

Rotenberg, W. (1994). Discussion of The Voluntary Inclusion of Forecasts in the MD&A section of Annual Reports. *Contemporary Accounting Research*,11(1)1: 489-497.

Schroeder, N., & Gibson, C. (1990). Readability of Management's Discussion and Analysis', *Accounting Horizons*, 4(4): 78–87.

Securities and Exchange Commission (SEC). (1989). Management's Discussion and Analysis of Financial Condition and Results of Operations: Certain Investment Company Disclosure, Financial Reporting Release No. 36. Washington, D.C.

Securities and Exchange Commission (SEC). (2002). Proposed Rule: Disclosure in Management's Discussion and Analysis about the Application of Critical Accounting Policies. Release No.33–8098, 34–45907. Washington, D.C. Available at: <http://www.SEC.gov/rules/proposed/s71602/hartig1.htm>

Securities and Exchange Commission (SEC). (2003a). Interpretation: Commission guidance regarding management's discussion and analysis of financial condition and results of operations.

# Asian Journal of Research in Banking and Finance

ISSN: 2249-7323 Vol. 12, Issue 8, August 2022 SJIF 2022 = 8.558

A peer reviewed journal

---

Release Nos. 33-8350, 34-48960. Washington, DC.

SEC. (2019). Commission Guidance on Management's Discussion and Analysis of Financial Condition and Results of Operations. Securities and Exchange Commission,303,1–9.

Strauss, E. D. (1992). MD&A disclosure, “through the eyes of management”—in the matter of caterpillar, Inc. *Journal of Corporate Accounting & Finance*,3(4):383-388.

Sun, Y. (2010). Do MD&A Disclosures Help Users Interpret. *The Accounting Review*,85(4): 1411–1440. <https://doi.org/10.2308/accr.2010.85.4.1411>

Tarcaet *al.* (2011), ‘Factors affecting MD&A disclosures by SEC registrants: Views of practitioners’, *Journal of international accounting, auditing and taxation*, 20(1): 45-59.

Yusuf J. E., & Jordan M.M. (2017). Accessibility of the Management's Discussion and Analysis to Citizen Users of Government Financial Reports. *Public Budgeting & Finance*,1-16