

The Impact of Company Performance on Chairman's Statement

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Abstract

Accounting information are getting increasingly important in external reporting. The chairman's statement usually occupies a prominent place in the annual report and provides information beyond what is required for statutory financial reporting. It is a recognized fact that those who arrange corporate annual reports have important motivations to exercises the content of Chairman Statements. This study tries to identify is there any different pattern between how most profitable and the least profitable companies report their organizational information in the chairman statement. There are prior studies related this topic in different developed countries. In Sri Lanka, Chairman Statement is mandatory requirement of annual report whereas no any evidence of prior research regarding chairman statement in Sri Lankan content. Accordingly, this research investigates the relationship between financial performance and chairman statement textual characteristics in Sri Lankan Content. Impression management is given motivation for poorly performing management to report their performance. This study is trying to identify whether companies chairman statement reporting strategies depend on underlying financial performance. The research question is investigated by examining a range of textual characteristics in the chairman's statements of 20 extremely profitable and 20 extremely unprofitable Sri Lankan listed companies. Since, Chairman's statement is one of most widely read section of annual report, this study will provide an understanding and gridlines to the stakeholders who make decisions regarding organizations by reading chairman's statement.

Keywords: Accounting information, Chairman's statement, Financial performance, Impression management, Sri Lanka, Textual characteristics