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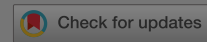
Research Note

# Corporate Risk Disclosure and Audit Fee: A Text Mining Approach

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# Notes

1 Unstructured data refer to information that either does not have a pre-defined data model or is not organized in a pre-defined manner. It is typically text-heavy and often includes multimedia content. While some files may have an internal structure, they are still considered unstructured because the data do not fit in a database (Feldman & Sanger, [2007](#)). In contrast, structured data like spreadsheets are easily searchable by basic algorithms. Therefore, it is more difficult to analyze unstructured textual documents than structured ones.

2 The number of unstructured documents is significantly higher than that of structured documents. ACCR. In addition, the results show that the number of unstructured documents is significantly higher than that of structured documents.

3 In the regression analysis, we control for industry, size, and leverage. The regression results show that the coefficient on the industry variable is positive and significant, indicating that companies in the same industry tend to have similar unstructured data. The coefficient on the size variable is positive and significant, indicating that larger companies tend to have more unstructured data. The coefficient on the leverage variable is negative and significant, indicating that companies with higher leverage tend to have less unstructured data.

4 In addition, we calculate the unstructured data ratio for each company. The results show that the unstructured data ratio is significantly higher for companies with higher leverage, indicating that companies with higher leverage tend to have more unstructured data.

5 Following the 404 audit, we find that companies that had a 404 audit in the initial year of the 404 audit, that is, the fiscal year ending on or after

15 November 2004. Then, we trace back one year to obtain ICMW in year 2003. In untabulated tests, our main results presented in [Table 5](#) remain almost identical no matter we code ICMW using IC weakness under SOX 302 in 2003 or for the entire sample period.

6 For example, one standard deviation of increase in financial risk for a median firm is related to increase in audit fee by \$18,256 ( $\$1,005,504 \times 0.001 \times 18.156$ ).

7 The insignificant coefficient on the hazard risk could be the results of imprecise estimation due to the low variance of independent variables.

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### Funding

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