

PROPOSAL: ACCOUNTING INFORMATION TRANSFERS IN VERTICAL AND HORIZONTAL RELATIONSHIPS.

Prof. Alina Lerman, Assistant Professor of Accounting
alina.lerman@yale.edu

We know that significant information transfers occur among horizontally or vertically related firms. For example, disclosed information regarding the expected or the realized financial performance of one firm has been shown to impact the returns of other firms within the same industry. Similarly the information released by a major customer (supplier) affects the expectations, and correspondingly the stock prices, of its suppliers (customers). Prior research in this area both formed expectations regarding the extent of the relationship and drew conclusions regarding the amount of the information transfer by examining the co-movement of stocks over relatively long windows (from 3 days to many months). We propose that a more precise measurement of both the causes and the effects of accounting information transfers require a qualitative as well as quantitative review of explicit references to industry, competitors, suppliers, customers, and other related parties in various information venues such as annual and quarterly reports, press releases, analyst conference calls, and news articles. We will also expand the understanding of information transfer dynamics by focusing on the short windows of trading around analyst conference calls.

The work will include the following tasks: detailed examination of corporate reports and transcripts of conference calls, academic literature review, preliminary work with some or all of the following: financial reporting data (Compustat), price data (CRSP), analyst data (IBES), and intra-day trading data (TAQ).

Students should have a familiarity with financial statements and be comfortable with Excel. SAS or Stata knowledge is beneficial but not required.