

(1) Observe accounting variables for firms with FYE from April of year $t-1$ to March of year t

Observe actual earnings for the next FYE from April of year t to March of year $t+1$

June
year $t-1$

June
year t

June
year $t+1$

(2) Estimate coefficients of the cross-sectional earnings model using the previous 10 years of data

Estimate model-based and analyst-based ICC

- Obtain model-based earnings forecasts by multiplying accounting variables from (1) with coefficients from (2)
- Obtain the latest consensus analyst forecast

Relate model-based and analyst-based ICC to future realized stock returns