# Kevin R. Standridge

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## ACADEMIC WORK EXPERIENCE

**University of Utah**, Salt Lake City, UT
*Visiting Assistant Professor of Accounting* — July 2024-Present

## EDUCATION

**Duke University**, Durham, NC
*Ph.D., Business Administration – Accounting* — September 2024

1. Deloitte Doctoral Fellowship Recipient

**Brigham Young University**, Provo, UT
*Masters of Accounting, Magna Cum Laude* — May 2019
*Bachelor of Science Accounting and Economics, Magna Cum Laude* — May 2019

## RESEARCH

*Interests: Macroeconomic effects of accounting, Accounting labor markets*

**Job Market Paper**

1. Do Accountants Increase Economic Activity?
    a. Coauthors: Suresh Nallareddy, Elizabeth Blankespoor
    b. Conference Presentation: 2024 NYU Big Apple Conference, 2024 UBCOW Conference
    c. Abstract: We investigate whether and how accountants affect economic activity using data from over 1.1 million establishments spanning 2001 to 2022. Employing Bartik's (1991) method to tackle endogeneity, we find counties with increased accounting employment have higher Gross Domestic Product (GDP), employment, business activity, and wages. Further, accountants incrementally contribute to economic growth relative to business or all other occupations. Improved aggregate economic activity is related to increased job creation and establishment entry, increased small business loans, and enhanced investment sensitivity to growth opportunities. Our findings highlight the vital role of accountants in shaping economic well-being. Additionally, we document several stylized facts about accounting labor markets, including rising accountant employment alongside declining wages.

**Working Papers**

2. Estimating Profitability Decomposition Frameworks via Machine Learning: Implications for Earnings Forecasting and Financial Statement Analysis
    a. Coauthors: Oliver Binz, Katherine Schipper
    b. Revise and Resubmit 3rd Round: Journal of Accounting and Economics
    c. Conference Presentations: Hawaii Accounting Research Conference, Tulane University
    d. Abstract: We find that nonlinear estimation of profitability decomposition frameworks yields more accurate out-of-sample profitability forecasts than forecasts from a random walk and linear estimation. The improvements derive from nonlinear estimation and synergies between nonlinear estimation and profitability decomposition frameworks. We analyze three essential financial statement analysis design choices to provide insights for the teaching and practice of fundamental analysis and find robust evidence that higher levels of decomposition and focusing on core items improve forecast accuracy, and mixed evidence supporting the use of a long series of historical information. The benefits are pronounced for firms with extreme profitability levels and during the growth, maturity, decline, and shakeout stages of firms' lifecycles. We find that our forecasts predict returns and profitability changes before and after controlling for analyst forecasts and state-of-the-art asset pricing factors.

3. The (in)adequacy of legal contingency reporting
    a. Coauthors: Abigail Allen, Jacob Thornock
    b. Revise and Resubmit 2nd Round: Journal of Accounting and Economics
    c. Conference Presentation: Ohio State University
    d. Abstract: Do firms provide adequate, timely, and transparent reporting on impending contingent litigation losses? Despite intense regulatory debate, related empirical evidence is sparse, dated, and lacks empirical identification. We use a hand-collected sample of firm disclosures together with novel legal dates to empirically identify conformity with the probability and estimability conditions of ASC 450. This innovation allows us to distinguish what should be reported from what is reported. Contrary to regulators' expressed optimism, our findings suggest that current reporting of litigation losses is inadequate, untimely, and lacks transparency. In a high-powered setting where losses are unambiguously material, probable, and estimable, we find that roughly one sixth of firms fail to observably report accruals or estimated losses. Further, we find that less than 10% of material litigation losses are reported in advance of preliminary lawsuit resolution. Additionally, more than half of disclosures lack transparency about the underlying accounting treatment. Finally, our evidence suggests that legal contingency reporting is insensitive to a dramatic shift in the probability of litigation losses but highly sensitive to changes in estimability. Our results imply that managers overwhelmingly report contingent liabilities more like regular liabilities, waiting to report until contingent losses are nearly certain and precisely quantified.

4. Tax Sentiment and Compliance: Evidence from Social Media
    a. Coauthors: Andrew Belnap, Jake Thornock, Brady Williams
    b. Revise and Resubmit 2nd Round: The Accounting Review
    c. Conference Presentation: 2024 UNC Tax Conference, Ohio State University, 2023 UNC Tax Doctoral Consortium
    d. Abstract: We use machine learning to develop a new measure of tax sentiment based on social media rhetoric about taxes. Our measure of social media tax sentiment is based on millions of tax-related tweets on Twitter and varies by time and geography. Over the last decade, the discussion of tax matters on social media has increased substantially, but tax sentiment has become increasingly negative. Discourse about taxing the rich, tax inequity, and the misuse of tax dollars is particularly negative. We also use county-level federal tax data to develop a measure of localized tax compliance and find that tax sentiment is negatively associated with tax compliance. Our main findings and cross-sectional tests are consistent with the notion that paying one's taxes is a way to disassociate one's social identity from the tax evasion, inequity, and waste that are often the target of negative social ire. Overall, our study provides key insights on the evolution of tax-related discourse on social media and its relation with tax compliance.

5. Market Reactions as Macroeconomic Barometer: Quantifying the TCJA's Effect on GDP and Wages
    a. Dissertation
        i. Committee: Scott Dyreng (Chair), Mohan Venkatachalam, Xu Jiang, John Graham
    b. Conference Presentations: 2023 National Tax Association Annual Conference, 2023 BYU Accounting Research Symposium, 2024 ATA Midyear Meeting
    c. Abstract: The Tax Cuts and Jobs Act (TCJA) is one of the most significant US tax reforms in 40 years. However, we know little about the TCJA's macroeconomic effects, presumably due to the difficulty in distinguishing the law's effects from other factors that affect the macroeconomy. In this paper, I create a new methodology that allows a researcher to use firms' market reactions to identify the effects of a macroeconomic shock on the broader economy. I apply this method to the TCJA to identify its effects on GDP and wages. I find that the TCJA increased GDP and total wages paid to employees by 2.2% and 3.4%, respectively. I find that the total wage increase was driven by a 1.7% increase in employment and a 1.3% increase in annual salaries. In other words, I find the TCJA created 2 million jobs and increased average annual salaries by $520.

6. Hedge Fund Activism and Science
    a. Coauthors: Elia Ferracuti, Rahul Vashishtha
    b. Conference Presentation: Columbia Junior Faculty Conference 2024
    c. Abstract: We study whether hedge fund activism encourages of discourages firms' investment in science. Ex ante, activism can have both positive and negative effects on firms' innovation efforts. On the one hand, activisms may have a negative impact on innovation because innovative activities involve untested and unknown approaches that have a high probability of failure with contingencies that are impossible to foresee. On the other hand, agency problems may lead to either over- or under-investment in innovative activities. Recent evidence suggests that capital market pressure has positive effects on innovative activities such as new products, patents, and trademarks. These activities represent the "D" of R&D. We expect and show that hedge fund activism has opposite effects on the "D" and "R" of R&D. More specifically, we find that hedge fund activism events are associated with fewer and lower quality corporate publications. We also show in an analysis of drug-producing firms that hedge fund activism is also associated with the production of fewer (novel) drugs. Overall, these results indicate that hedge fund activism discourages the "R" of R&D, and possibly contributes to the decline in the share of basic and applied research performed by corporations in the United States over the past 40 years.

**Work In Progress**

1. The Case Against Controlling for Profitability in Tax Avoidance Research
    a. Coauthors: Scott Dyreng, Jonathan Durrant, William Snyder

## TEACHING

*Interests* Preference: Tax, Data Analytics, or Financial Accounting. Open to other subjects.

**University of Utah**, Visiting Assistant Professor

- Intro to Financial Accounting (Acctg 2100), August 2024 - Present
    - Ratings for three sections: TBD

**Duke University**, Teaching Assistant

- Valuation, Spring 2020-Present, Suresh Nallareddy and Mohan Venkatachalam
- Taxes and Business Strategy, Spring 2019-Present, Scott Dyreng
- Financial Accounting, Fall 2020, Katherine Schipper

## PROFESSIONAL EXPERIENCE

**KPMG**, San Jose, CA
*Valuation and Transfer Pricing Internship* June 2018– Aug 2018

## CONFERENCE PARTICIPATION

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| NYU Big Apple Conference | 2024 |
| ATA Midyear Meeting | 2024 |
| BYU Accounting Research Symposium | 2021, 2023 |
| Duke-UNC Fall Camp | 2019, 2023 |
| National Tax Association Conference | 2023 |
| Oxford Tax Doctoral | 2022 |
| Spring Accounting Conference at Wharton | 2023 |
| UNC Tax Doctoral Consortium | 2022, 2023 |
| UNC Tax Symposium | 2019 - 2024 |
| University of Illinois Tax Doctoral Consortium | 2023 |
| University of Texas Austin | 2022 |