

# Kevin R. Standridge

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## EDUCATION

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**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

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*Interests: Macroeconomic effects of tax and financial accounting*

### Job Market Paper

Market Reactions as Macroeconomic Barometer: Quantifying the TCJA's Effect on GDP and Wages

- a. Committee: Scott Dyreng (Chair), Mohan Venkatachalam, Xu Jiang, John Graham
- b. Conference Presentations: 2023 National Tax Association Annual Conference, 2023 BYU Accounting Research Symposium
- 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.

### Working Papers

1. What Can Analysts Learn from Artificial Intelligence about Fundamental Analysis?
  - a. Coauthors: Oliver Binz, Katherine Schipper
  - b. Revise and Resubmit 2<sup>nd</sup> Round: Journal of Accounting and Economics
  - c. Conference Presentations: Hawaii Accounting Research Conference, Tulane University
  - d. Abstract: We apply machine learning to accommodate the nonlinearities that prevented Nissim and Penman (NP, 2001) from estimating their framework. We obtain more accurate out-of-sample profitability forecasts than those derived from a random walk and linear estimation and find that investing strategies based on intrinsic values generated from those profitability forecasts yield risk-adjusted returns. Our holistic estimation approach allows us to jointly analyze five financial statement analysis design choices discussed but not analyzed in NP to provide insights for the teaching and practice of fundamental analysis. First, we confirm that focusing on core items improves forecast accuracy. Second, and in contrast to prior research that examines certain profitability disaggregations individually, we find mixed evidence that increasingly granular disaggregation incrementally improves performance, holding other financial statement analysis design choices constant. Third, we provide new evidence that using a long series of historical information impairs forecast accuracy. Fourth and fifth, we find risk-adjusted returns are greatest when forecasting operating items and using a forecast horizon of five years. The benefits of greater model complexity and nonlinear estimation are pronounced for firms with extreme profitability levels and during the beginning and the end of firms' lifecycles.

2. The (in)adequacy of legal contingency reporting
  - a. Coauthors: Abigail Allen, Jacob Thornock
  - b. Revise and Resubmit 2<sup>nd</sup> 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.
3. Tax Sentiment and Compliance: Evidence from Social Media
  - a. Coauthors: Andrew Belnap, Jake Thornock, Brady Williams
  - b. Revise and Resubmit 2<sup>nd</sup> 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.
4. Do Accountants Increase Economic Activity?
  - a. Coauthors: Suresh Nallareddy, Elizabeth Blankespoor
  - b. Abstract: We examine whether accountants influence economic activity using novel data that surveyed over 1.1 million establishments from 2001-2022. Using Bartik's (1991) instrument approach to address endogeneity, we document that counties with increased accounting employment are related to increased GDP, employment, business activity, and wages. These findings are primarily driven by increased establishment entry and decreased job destruction. Our findings offer insights into the role of accountants in shaping aspects of economic welfare.
5. 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 or discourages firms' investment in science. Ex ante, activism can have both positive and negative effects on firms' innovation efforts. On the one hand, activism 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. Problems Controlling for Profitability When Studying Tax Avoidance
  - a. Coauthors: Scott Dyreng, Jonathan Durrant, William Snyder

#### **TEACHING**

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

#### **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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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 - 2023
University of Illinois Tax Doctoral Consortium	2023
University of Texas Austin	2022