# BA 952

## Assignment №1 Discussion Questions

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1. What did you find? Did you find results consistent/inconsistent with the papers?

   For this paper, most of my result is consistent with the paper. The regression results in table 3 are a little bit noisy when it comes to the parameters of `Cash volatility, industry sales volatility, S&P, and OTC.`

   However, this is reasonable since my summary statistics for these variables in table 1 is already not fully consistent with the original results.

2. If (part of) your results are inconsistent with the original results, why do you think they are different?

   I think one problem I encounter during the replication is, it is hard to know when to winsorize, filling in missing values, and lag the variables. For the line of credit paper, since it has log file, it is relatively tractable. But the violation paper is not clear on variable selection processing. Variable definition is also sometimes ambiguous. For example, there is no clarification on the definition of `Has S&P ratings` using the items in Compustat in the violation paper. Also, different merging orders can affect the final dataset we get for analysis.

3. Are you satisfied with the way the variables are defined? Could you define the variables differently?

   Some variables definition can be improved: (1) In the bank line paper, to express the concept of 'industrial variation in sales', maybe the S.D. of sales is more suitable for the S.D. of change of sales. (2) For table 3 in bank line paper, I consider it is better to use `unused credit line/(total credit line + cash)` for column 5 and 6, to represent the extent of 'liquidity usage'. I won't cover much about this due to the words limit.

4. What are the economic interpretations of your replication results?

   One difference between my result and Sufi's table 3 in the violation paper is, my coefficient of `violation at time t` is usually negatively significant, which means there is correlation between current default behavior and the net debt issuance. However if my result is correct, then based on quarter data, we cannot tell if it is the current violation leads to the decrease of credit of the firms, or the lack of credit leads to further violation. Can do some exploration using data with more detailed time.