CPA Speaker Series (ACCTG)

Alberta School of Business
Department of Accounting and Business Analytic

Presents:

Xiumin Martin
Washington University at St. Louis

Topic:

On the Fast Track: Information Acquisition Costs and Information Production

Friday, October 2, 2020
10:00am – 11:30am
Please join Zoom to access the seminar remotely
Meeting ID: 998 7495 3746
Password: 031055

ABSTRACT

Using the introduction of high-speed rail (HSR) as an exogenous shock to costs of information acquisition, we show that reductions in information-acquisition costs lead to (i) a significant increase in information production, evidenced by a higher frequency of analysts visiting portfolio firms, and (ii) improvement in output quality, manifested in higher forecast accuracy and better recommendations. Increases in the difficulty in visiting a firm without HSR and in the importance of soft information lead to these effects becoming more pronounced. Importantly, more information production is also associated with improved price efficiency. We corroborate these findings using a large-scale survey of financial analysts. Finally, both the empirical and survey results highlight the importance of soft information in analysts' unique-information production.