Replication instructions: "Are Major Customers Friends or Masters? Evidence from Customer Fraud Revelations"

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Data Constructions

The input datasets that incorporate external data are listed below:

- All data from Capital IQ, CRSP were accessed via Wharton Research Data Services.
- We obtained AAER (Accounting and Auditing Enforcement Releases (AAERs) from the USC Leventhal School of Accounting at the Marshal School of Business (Dechow, Ge, Larson, and Sloan [2011]). It contained AAERs dated through September 30, 2015. The data is maintained by the University of California, Berkeley's Centre for Financial Reporting and Management.
- We hand-collected enforcement releases from the SEC website and identified enforcement actions for the violations of 13(b) provisions of the 1934 Securities Exchange Act and Code of Federal Regulations through December 31, 2015.[1] The 13(b) provisions are stated below:
    - I Section 13(b)(2)(A), which requires firms to make and keep books, records, accounts, which, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets;
    - II Section 13(b)(2)(B), which requires firms to devise and maintain a system of internal accounting controls sufficient to provide reasonable assurances; and
    - III Section 13(b)(5), which states that "No person shall knowingly circumvent or knowingly fail to implement a system of internal accounting controls or knowingly falsify any book, record, or account".
    - IV Rule 17 CFR 240.13b2-1, which states that "No person shall directly or indirectly, falsify or cause to be falsified, any book, record or account subject to section 13(b)(2)(A) of the Securities Exchange Act".
    - V Rule 17 CFR 240.13b2-2, which pertains to representations and conduct in connection with the preparation of required reports and documents.

[1] The website for the SEC enforcement releases is: https://www.sec.gov/page/litigation

- Following methods in Karpoff, Koester, Lee, and Martin [2017], we hand-collect the dates of trigger events that attracted the attention of the SEC and prompted informal inquiry and/or a formal letter of investigation by the SEC relating to the violations of the 13(b) provisions. The data source of the trigger events includes companies' SEC reports (8-K, 10-K, and 10-Q), LexisNexis, and SEC enforcement proceedings and releases. We maintain copies of all the text in PDF form.
- Information on customer-supplier relationships was obtained from the FactSet Revere database and the Compustat Segment Customer file accessed through WRDS.
- USPTO patent information are provided by Kogan, Papanikolaou, Seru, and Stoffman [2017].[2] The 2020 version of the data was used.
- Detailed information on patent citations is from the PatentsView.[3]

Pseudo data ("pseudo_data.dta") is provided for reference. The "main.do" file contains instructions for replicating the main tables in the paper, while the "factset-revere-prep.sas" file includes code for cleaning the Factset Revere Relationship data.

[2] The data can be accessed on the following website: https://github.com/KPSS2017/Technological-Innovation-Resource-Allocation-and-Growth-Extended-Data
[3] The PatentsView website can be accessed at: https://patentsview.org/