**MFIN 516 – Stata Homework 1**

**Fama and French, 2001 – Disappearing dividends**

For this assignment, you will repeat the Fama and French analysis that we performed in class, using an extended sample of Compustat data from 1963-2019. You will report the analyses from Table 1, Table 3, and Table 9 (just as we did in class or the post class code) for the full sample 1963-2019 and for the post Fama-French subsample (i.e. 1999-2019).

***Step 1 – Get the data, apply the filters, and create the main variables.***

* Download Compustat data and all variables that are listed in the Appendix. (Use the Compustat translation file on Blackboard to determine what variable names you need to include in your Compustat download or follow the code that we developed in class).
* Create an indicator for dividend payers. Fama and French (2001) define a Compustat firm as a dividend payer in calendar year *t* if it has positive dividends per share by the ex-date (26) in the (last) fiscal year that ends in *t*.
* Create firm characteristics / explanatory variables used in Tables 3. Follow definitions provided in the Appendix section A1. We created most of these variables in class.
* Apply filters, exclude utilities (SIC codes 4900-4949) and financial firms (SIC codes 6000-6999), exclude firms not publicly traded in US, remove firms with missing variables as detailed in the appendix.

***Step 2 – Report the proportions of dividend payers and non-payers***

* For each year in the sample calculate proportion of firms that pay dividends and proportion of firms that do not pay dividends. Report average proportion of dividend payers and non-payers across years in the sample.
* Copy the results in a single table that shows to different sample periods, average number of firms per year, proportion of payers and proportion of non-payers

***Step 3 – Report average characteristics of payers and non-payers***

* Calculate aggregate value of earnings, assets, and other variables used in Table 3 of Fama and French (2001) for each year and each firm group (payers and non-payers). Form the ratios per group-year by dividing aggregate values of variables (e.g. to create E/A use aggregate earnings divided by aggregate assets).
* Summarize (average) the ratios across sample years and report results for the full sample (1962-2019) and subsample (1999-2019)

***Step 4 – Perform comparison between actual proportion of payers and expected proportion of payers based on triple sorts (Table 10 of FF2001)***

* I provided the detailed code in the Fama and French 2001 – class.do file. Just like in the paper you will determine breakpoints and proportions based on 1963-1977 data, and then you will use those proportions to calculate expected proportion of payers for the period 1999-2019. You should report a table similar to FF Table 10, but only for year 1999-2019
* Please add comments and explanations to your code in your own words so that I can make sure that you are learning and understanding why we perform certain steps.

***Step 5 – Write a brief explanation of your findings. Does the trend continue? Does it reverse? Why do you think that happens?***

Create 3 tables in a word document that look similar to FF tables but report your results for the extended full sample and post-FF sample. Write a few sentences discussing the results. Upload both Word and Stata document to the Blackboard.