





# Economic Linkage and the Contagion Effect of Earnings Quality on Market Risk

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## 1. Round 1

### 1.1. Reviewer 1

Reviewer:

The paper frequently refers to "earnings quality" and "systematic risk" without clear, standardized definitions which might cause confusion. It would be beneficial to define these key terms explicitly in the introduction to ensure consistency and clarity throughout the text.

Ensure that all citations are consistent throughout the document. For instance, Lambert et al. (2007) is mentioned multiple times; ensure that all references are appropriately cited in a consistent format according to the journal's guidelines.

The description of the models used (e.g., the modified Jones model) is quite dense. Simplifying these descriptions or providing clearer step-by-step analyses can make the methodology more accessible to readers not familiar with these specific econometric models.

The impact of control variables on the results is mentioned briefly in the discussion. Expanding on how these variables specifically influence the findings could provide deeper insights into the dynamics of the market risk related to earnings quality.

Minor grammatical errors and typos should be corrected. This includes checking for punctuation, article usage, and verb tense consistency to maintain a professional academic tone.

Ensure that all references are up-to-date and include the most recent research studies relevant to the topic to strengthen the paper's credibility and relevance.

Response: Thank you for your comment. I will consider these comments.

### 1.2. Reviewer 2

Reviewer:

Additional robustness checks could be conducted to verify the stability of the results. For example, employing alternative econometric models or different measures of earnings quality and systematic risk to ensure the findings are not model-specific.

The paper could enhance its comparative analysis by including a broader range of industries or different economic contexts. This would help in understanding if the contagion effect of earnings quality on systematic risk is consistent across different sectors or if it varies.

Further elaboration on the theoretical implications of the findings would strengthen the paper. Discussing how these results challenge or support existing theories of market risk and information transfer in financial markets would add depth to the research.

While the paper discusses some implications for standard-setters and regulators, a more detailed discussion on the practical implications for corporate managers and policy makers could make the findings more applicable to a broader audience.

The limitations section could be expanded to discuss potential biases or the generalizability of the findings more critically. This includes discussing the implications of the Tehran Stock Exchange's unique characteristics on the broader applicability of the results.

Response: Thank you for your comment. I will consider these comments.

## 2. Revised

Editor's decision after revisions: Accepted.

Editor in Chief's decision: Accepted.