

YLIOPISTOTENTTI - UNIVERSITY EXAM

Opiskelijan nimi / Student name:	Opiskelijanumero / Student number:
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Opettaja täyttää / Lecturer fills in:

Opintojakson koodi and nimi / The code and the name of the course: 721190S / Advanced Firm Valuation	
Tiedekunta / Faculty: OBS	
Tentin pvm / Date of exam: 24.4.2017	Tentin kesto tunteina / Exam in hours: 3
Tentin nro / No. of the exam: (esim. Tentti, 1. uusinta, 2. uusinta / e.g. Exam, 1. retake, 2. retake) Tentti	Opintopistemäärä / Credit units:
Tentaattori(t) / Examiner(s): Juha-Pekka Kallunki	Sisäinen postios. / Internal address: TaTK
Sallitut apuvälineet / The devices allowed in the exam: <input checked="" type="checkbox"/> Nelilaskin / Standard calculator <input checked="" type="checkbox"/> Funktiolaskin / Scientific calculator <input checked="" type="checkbox"/> Ohjelmoitava laskin / Programmable calculator <input type="checkbox"/> Muu materiaali, tarkennettu alla / Other material, specified below:	
Tenttiin vastaaminen / Please answer the questions: <input type="checkbox"/> Suomeksi / in Finnish <input checked="" type="checkbox"/> Englanniksi / in English Suomenkielisessä tutkinto-ohjelmassa olevalla opiskelijalla on oikeus käyttää arvioitavassa opintosuorituksessa suomen kieltä, vaikka opintojakson opetuskieli olisi englanti. Tämä ei koske vieraan kielen opintoja. (Kts. <u>Koulutuksen johtosääntö 18 §</u>) In a Finnish degree programme a student has a right to use Finnish language for their study attainment, even though the language of instruction is English, (excluding language studies) even when the language of instruction is other than Finnish. (See <u>the Education Regulations 18 §</u>)	
Kysymyspaperi on palautettava / Paper with exam questions must be returned: <input checked="" type="checkbox"/> Kyllä / Yes <input type="checkbox"/> Ei / No	

Prof. Kallunki's lectures:

1. Below are six statements. Answer whether they are true or false [correct answer = 2p., wrong answer = -2p., no answer = 0p. Min: 0p., max: 12p.]
 - a) Penman and Zhu (2014, "Accounting Anomalies, Risk, and Return") show that the returns to the so-called anomaly variables such as earnings-to-price ratios are consistent with rational pricing of stocks.
 - b) Dechow, Sloan and Zha (2014, "Stock Prices and Earnings: A History of Research") conclude that accounting earnings have been found to be value relevant.
 - c) The supply of financial information is guided by the cost-benefit considerations of reporting and utilizing the information.
 - d) Firms disclose Non-IFRS numbers in order to provide supplement accounting information that better reflects the underlying business of the firm.
 - e) Relative valuation refers to valuation technique where the value of the firm is estimated by looking at how the market prices similar firms.
 - f) Security analyst approach is one of the methods of predicting financial information.

2. Define the concept of Clean Surplus Relation. [6p.] How does it link the Dividend discount and Abnormal earnings models? [6p.]

Prof. Amir's lectures:

Here are details from the financial statements of Adigal Co. for the 5 years ended 31/12:

	2011	2012	2013	2014	2015
Sales	1,600	1,800	2,000	2,200	2,600
Net Income	410	450	480	555	620

Amir, Einhorn, Kama (2013) suggest a simple measure of earnings quality, titled Intensity of Core Earnings (ICE).

- a. Compute the ICE measure for fiscal 2015 (Recall: You need to come up with a number between 0 and 1 based on past profit margins). [6p.]
- b. The researchers validate their measure using three tests. How do the researchers validate that ICE is indeed a measure of earnings quality? Describe briefly. [6p.]