

Tenttipäivä / Date: 11.4.2013
Opintojakson koodi, nimi ja tentin numero / The code and the name of the course and number of the exam: S721191 Financial Accounting Theory Exam 2
Tentaattori(t)/ Examiner(s): Markku Vieru
Sallitut apuvälineet rästetty/ The devices allowed in the exam Laskin (ei graafinen/ohjelmoitava)/Calculator (not graphic, programmable) Sallittu/Allowed Sanakirja/Dictionary: Ei sallittu/Not allowed
Voit vastata tenttiin / You may answer the questions: suomeksi/ in Finnish: kyllä/Yes, englanniksi/ in English: kyllä/Yes
Kysymyspaperi on palautettava / Paper with exam questions must be returned: Ei/No

Käytä vastauksissasi kokonaisi virkkeitä. Please answer to the following questions using full sentences.

1. Describe two separate roles of financial accounting and reporting. Compare fair value accounting and historical cost accounting relative to these roles.
2. In which way Atiase and Bamber's (1994) empirical study increases our understanding of the underlying reasons for trading volume around earnings announcements? Describe also their research design. Describe also how the theoretical model has been extended after Atiase and Bamber (1994). Why?
3. Collins and Kothari (1989) study shows that stock price change associated with a given unexpected earnings change (earnings response coefficient, ERC) exhibits cross-sectional and temporal variation.
 - a) Describe their hypotheses and empirical findings.
 - b) How the holding period corresponding to a firm's fiscal year affects observed earnings/returns association.
4. Accounting quality can be defined as the extent to which the financial statements information reflects the firm's underlying economic situation. However, since economic situation cannot be directly observed indicators based on earnings are used to operationalize the concept. Please present the indicators and models which are used to measure earnings quality. How earnings management affects to earnings quality (Scott, lectures)?