

Tenttipäivä / Date: 16.5.2013

Opintojakson koodi, nimi ja tentin numero / The code and the name of the course and number of the exam:
S721191 Financial Accounting Theory

Exam 1

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 kokonaisia 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. (Scott, lectures)
2. There is certain demand for conservative accounting.
 - a) Explain why conservatism is demanded? Which kind of firms has higher likelihood to have more conservatism in accounting?
 - b) What is meant by conditional and unconditional conservatism in accounting?
 - c) Imagine that you should construct a research design to study whether accounting of listed firms is conservative. In order to answer to the research question please formulate a testable model and provide relevant hypotheses. If you wish, you may use Basu's (1997) study methodology.
3. Imagine that you should construct a research design to answer whether investor sophistication is related to the magnitude of post-earnings-announcement drift.
 - a) Explain why this type of research question is relevant.
 - b) In order to answer to the question please formulate a testable model and provide relevant hypotheses. If you wish, you may use Bartov, Radhakrishnan and Krinsky's (2000) study methodology.
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. (Scott, lectures)?
 - a) Please present the indicators and models which are used to measure earnings quality.
 - b) How earnings management affects to earnings quality