Taloustieteiden tiedekunta

Tenttipäivä / Date: 11.8.2014
Opintojakson koodi, nimi ja tentin numero / The code and the name of the course and number of the exam: S721191 Financial Accounting Theory
Tentaattori(t)/ Examiner(s): Markku Vieru
Sallitut apuvälineet rastitettu/ 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 what is meant by decision usefulness approach to financial accounting and reporting. Decision usefulness has two perspectives: information perspective and measurement perspective. Please compare these two perspectives to each other. Why these two perspectives are needed? Which of these perspectives accountants are moving in and why? (Scott, lectures)

2. What is meant by conditional and unconditional conservatism in accounting? Please explain which four predictions Basu (1997) made related to earnings timeliness and earnings persistence in reporting of bad and good news caused by conditional conservatism in earnings. What does Basu find out?

3. Collins and Kothari (1989) concentrate in their study on the stock price change associated with a given unexpected earnings change (the earnings response coefficient, ERC).
   a) Describe their hypotheses, research design and empirical findings.
   b) How does the holding period corresponding to a firm's fiscal year affect observed earnings/returns association? Please explain what might be a plausible explanation for that.
   c) Is their result in line with information perspective or measurement perspective?

4. Why accounting standards have economic consequences? Please use two examples from managerial compensation plan (compensation based on executive stock options and compensation based on net income) that illustrates the economic consequences of accounting standards. How positive accounting theory is related to this? (Scott, lectures)