

Tenttipäivä / Date: 5.2.2015

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. Let's imagine that you must construct a research design to answer whether investor sophistication is related to the magnitude of post-earnings-announcement drift (PEAD).
 - a) Explain what PEAD means and why this type of research question is relevant.
 - b) In order to answer to the question please provide relevant hypotheses and formulate briefly a testable model. If you wish, you may use Bartov, Radhakrishnan and Krinsky's (2000) study methodology.
4. In the accounting literature there are several models that have been used to detect earnings management in financial statement information. Among these models are for example Healy's model, DeAngelo's model, Jones's model and Modified Jones's model. These models have a common approach for measuring discretionary accruals. Please explain in short the principle how the models helps to detect earnings management in financial statement information (Scott, lectures).