



## YLIOPISTOTENTTILOMAKEPOHJA / UNIVERSITY EXAM TEMPLATE

Koskee tiedekuntia LuTK, OyKKK, KaTK, TTK, TST ja BMTK (Linnanmaan tentit) /  
Concerns Faculties SCI, OBS, OMS, TECH, ITEE and BMM (Linnanmaa campus)

Tentin päivämäärä / Date of exam: 21.1.2016		Tentin kesto tunteina / Exam in hours: 4	
Tiedekunta / Faculty: OyKKK			
Opintojakson koodi, nimi ja tentin numero / The code and the name of the course and number of the exam: 721191S, Financial Accounting Theory, 3			
Tentaattori(t) / Examiner(s): Markku Vieru		Sisäinen postios. / Internal address OyKKK, Markku Vieru	
Sallitut apuvälineet / The devices allowed in the exam:			
<input type="checkbox"/> Nelilaskin / Standard calculator	<input type="checkbox"/> Funktiolaskin / Scientific calculator	<input type="checkbox"/> Ohjelmoitava laskin / Programmable calculator	
<input type="checkbox"/> Muu materiaali, tarkennettu alla / Other material, specified below:			
Tenttiin vastaaminen / Please answer the questions:			
<input checked="" type="checkbox"/> Suomeksi / in Finnish		<input checked="" type="checkbox"/> Englanniksi / in English	
Kysymyspaperi on palautettava / Paper with exam questions must be returned:			
<input type="checkbox"/> Kyllä / Yes		<input checked="" type="checkbox"/> Ei / No	

Vastaa kaikkiin neljään kysymykseen. Käytä vastauksissasi kokonaisia virkkeitä. Menestystä. Answer to all four questions. Please answer to the following questions using full sentences. Good luck.

**Question 1:** Decision usefulness approach to financial accounting and reporting has two perspectives. Please describe and compare these two perspectives to each other. Why these two perspectives are needed? Which one of these perspectives accountants favour nowadays and why? (Scott, lectures)

**Question 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?

**Question 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).

- Explain what PEAD means and why this type of research question is relevant.
- 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.

**Question 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).

