YLIOPISTOTENTTI - UNIVERSITY EXAM

Opiskelijan nimi / Student name:	Opiskelijanumero / Student number:

Opettaja täyttää / Lecturer fills in:

Opintojakson koodi and nimi / The code and the name of the course:

Koodi / Code: 721191S

Tentin nimi / Exam name: Financial Accounting Theory

Tiedekunta / Faculty: OyKKK

Tentin pvm / Date of exam: **23.11.2016**	Tentin kesto tunteina / Exam in hours:
Tentin nro / No. of the exam: Exam **2**	Opintopistemäärä / Credit units: 3
Tentaattori(t) / Examiner(s): Markku Vieru	Sisäinen postios. / Internal address: **OyKKK**

Sallitut apuvälineet / The devices allowed in the exam:

☒ Nelilaskin /
Standard calculator

☐ Funktiolaskin /
Scientific calculator

☐ Ohjelmoitava laskin /
Programmable calculator

☐ Muu materiaali, tarkennettu alla / Other material, specified below:

Tenttiin vastaaminen / Please answer the questions:
☒ Suomeksi / in Finnish   ☒ Englanniksi / in English

Suomenkielisessä tutkinto-ohjelmassa olevalla opiskelijalla on oikeus käyttää arvioitavassa opintosuorituksessa suomen kieltä, vaikka opintojakson opetuskieli olisi englanti. Tämä ei koske vieraan kielen opintoja. (Kts. Koulutuksen johtosääntö 18 §)

In a Finnish degree programme a student has a right to use Finnish language for their study attainment, even though the language of instruction is English, (excluding language studies) even when the language of instruction is other than Finnish. (See the Education Regulations 18 §)

Kysymyspaperi on palautettava / Paper with exam questions must be returned:
☐ Kyllä / Yes   ☒ Ei / No

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

Question 1: Please describe how historical events (such as stock market crash 1929, theoretical advances in economics and finance in 1960s and market meltdown 2007-2008) have affected to the development of financial accounting and reporting and the use of historical costs and fair values in financial statements. (Scott, lectures)

Question 2: Collins and Kothari (1989) studied the relationship between stock returns and unexpected change in accounting earnings (earnings response coefficient, ERC).

1. Describe their hypotheses, research design and empirical findings.
2. How does the lead-lag structure between small and large firms differ from each other? Please explain what might be a plausible explanation for the results.

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).

a) Explain what does the PEAD mean?
b) Does the existence of PEAD favour the use of information perspective or measurement perspective in financial accounting? Please explain.
c) 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: Please describe the role of financial accounting information in efficient contracting. Please provide research findings whether managers use their discretion opportunistically or efficiently when preparing financial reports.