

YLIOPISTOTENTTI - UNIVERSITY EXAM

Opiskelijan nimi / Student name:	Opiskelijanumero / Student number:
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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: 9.11.2017	Tentin kesto tunteina / Exam in hours: 3 h
Tentaattori(t) / Examiner(s): Markku Vieru	Opintopistemäärä / Credit units: 3
	Sisäinen postios. / Internal address: OyKKK
Sallitut apuvälineet / The devices allowed in the exam: <input checked="" 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 Suomenkielisessä tutkinto-ohjelmassa olevalla opiskelijalla on oikeus käyttää arvioitavassa opintosuorituksessa suomen kieltä, vaikka opintojakson opetuskieli olisi englanti. Tämä ei koske vieraan kielen opintoja. (Kts. <u>Koulutuksen johtosääntö 18 §</u>) 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 <u>the Education Regulations 18 §</u>)	
Kysymyspaperi on palautettava / Paper with exam questions must be returned: <input type="checkbox"/> Kyllä / Yes <input checked="" type="checkbox"/> Ei / No	

Answer to all four questions using full sentences. Good luck.

Vastaa kaikkiin neljään kysymykseen käyttämällä kokonaisia virkkeitä. Menestystä.

Question 1: Please describe the roles of financial reporting when the securities market is

- a) efficient
- b) inefficient.

(Please define the roles and the concepts of efficient and inefficient market)

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 define what does it mean when accounting policies have economic consequences. To clarify please give an example from the textbook or from the literature.