

Department of Accounting
College of Commerce
National Chengchi University

Ph.D. Qualifying Exam- Financial Accounting
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PART 2

2-1: (20%)

In a model estimated by OLS, the dependent variable is measured with error and the independent variable set including a binary dummy variable partitioning the data set into two groups has some relevant variables omitted, would you prove that the following two undesirable consequences may occur?

- a. The coefficient of the dummy variable is biased.
- b. The standard error of the coefficient of the dummy variable is also biased.

2-2: (21%)

Earnings management has long been an issue in financial accounting.

- a. What are the reasons for earnings management?
- b. Do you see any thing good for earnings management from the financial reporting perspective?
- c. How do stock markets react to earnings management?

2-3: (9%)

In his workshop presentation at NCCU on equity valuation models, Prof. Ohlson tried to explain the phenomenon in accounting practice that analysts focus more on income statement than balance sheet for valuation issue. State any two of his main points in short.