

**Department of Accounting
College of Commerce
National Chengchi University**

**Ph.D. Qualifying Exam- Financial Accounting
September 23, 2011**

PART 2

1. (25%) In the investigation of the association between disclosure level and the cost of equity capital, Botosan (1997) finds a negative relationship between them for firms attracting a low analyst following while the relationship doesn't exist for firms with a high analyst following.
 - i. (10%) Give comments on the author's reasoning for the above phenomenon and propose reasonable alternative explanations.
 - ii. (15%) Turn the above phenomenon into further investigation with literature support.

2. (25%) Answer the following questions related to earnings management:
 - i. (10%) The discontinuity in frequency of firm-years around zero earnings as an evidence of earnings management is still an open issue. Make your comments on this issue with literature support.
 - ii. (5%) How can a firm manipulate earnings management through real activities?
 - iii. (5%) How do firms choose real versus accrual-based earnings management?
 - iv. (5%) What kind of SEO firms tend to engage in real activities manipulation more than accrual-based earnings management?