

Course No: ACNE 4222
Course Title: Contemporary Accounting Issues
Date: /03/ 2019
No. of Questions: 3
Time: 1 hour
Using Calculator :(Yes)

(B)
University of Palestine

First Midterm Exam
Second Semester
2018/2019
Total Grade: 15

Instructor Name:Mr.Tareq Y. Abu Al-Ajeen
Student No.: _____
Student Name: _____
College Name: _____
Dep. / Specialist: _____
Using Dictionary (No)

• Answer all Questions

First Question: Multiple Choice **No. of Branches (6)** **(/ 3) (6-9 Minutes)**

1) Big bath accounting is generally used to drop earnings when

- a. When operations are restructured
 - b. There is a change in management team
 - c. When the economy is poor
 - d. All of the above
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2) A normative theory

- a. Is completely divorced from reality
 - b. Is based on what should be the case given a certain objective
 - c. Describes, explains or predicts activities
 - d. Only focuses on normal activities
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3) According to agency theory the following are examples of bonding costs:

- a. Auditing the financial reports
 - b. Linking remuneration to performance
 - c. Putting in place operating rules
 - d. All of the above
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4) Legitimacy theory argues that

- a. The business of business is business
 - b. Organizations should focus on wealth maximization for their owners
 - c. Consumers are only interested in minimizing costs to themselves
 - d. Organizations can only continue to exist if they demonstrate values consistent with society at large.
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5) Earnings management

- a. Is considered to always be harmful to shareholders
- b. Has a range of meanings
- c. Is illegal
- d. None of the above

6) Which of the following would be considered fraudulent accounting?

- a. Recognizing revenue when services are prepaid but only partially performed
- b. Liberal credit terms and estimation of provision for doubtful debts
- c. Capitalizing advertising costs
- d. Restating useful life and residual value of non-current assets upwards

Second Question: Fill in the Blanks. No. of Branches (9) (/4.5) (12-15 Minutes)

- 1- costs are incurred by the principal, and relate to measuring, observing and controlling the agent’s behavior.
- 2- The two versions of stakeholder theory are: and.....
- 3- There are different decisions made by accounting practitioners. These are: , and
- 4- The three criteria considered important in assessing earnings quality are: , and
- 5-moderates year-to-year fluctuations in income by shifting earnings from peak years to less successful periods.
- 6- What is earnings quality:

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7-specifies the distribution of rights and responsibilities among the different participants in the organization - such as the board, managers, shareholders and other stakeholders - and lays down the rules and procedures for decision-making.

8- Information Asymmetry vs Information

9- Volatility vs

Third Question	No. of Branches (5)	(/7.5) (20-24 Minutes)
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1) How can corporate disclosure policy be used to maintain or regain organisational legitimacy? (Three Ways)

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2) Differentiate a normative theory from a positive theory. Provide an example of each.

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3) Is earnings management always bad? Explain your answer.

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4) “One of the most commonly used methods to determine earnings management was developed by DeAngelo”. How he could measure earnings management through accrual accounting?

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5) Provide two reasons why entities might engage in earnings management.

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End of Questions
Good Luck