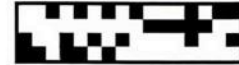




# TENTAMEN / EXAMINATION



8164617

Fylls i av **student** / To be completed by the **student**

Skriv anonymiseringskoden på samtliga svarsblad / Write your anonymity code on each sheet		Anonymiseringskod / Anonymity code	
		F E A D 1 1	0 0 1 0 - Y G H
Provbenämning / Exam name			Oanmäld
International Financial Accounting			
Kurskod / Course code	Provkod / Exam code	Tentamensdatum / Examination date	
F E A D 1 1	1 0 0 2	2 0 1 9 - 0 3 - 2 5	
Jag har tagit del av regler som gäller i tentamenssalen / I have read the current exam hall rules		Antal inlämnade blad / Number of sheets	
<input checked="" type="checkbox"/> Ja / Yes		1 3 ✓	

Fylls i av **skrivvakt** / To be completed by the **invigilator**

Kontroll av legitimation / Identification checked	<input checked="" type="checkbox"/> Ja / Yes	Härmed intygas att ovanstående kontroller utförts / This is to certify that the above mentioned checks have been carried out
Kontroll av inlämnade blad / Answer sheets checked	<input checked="" type="checkbox"/> Ja / Yes	
Inlämningstid / Time of submission	1 7 : 2 8	Tydlig sign. / Signature BDO

Fylls i av **lärare** / To be completed by the **examiner**

Bedömning av uppgifter / Questions attempted										
1	2	3	4	5	6	7	8	9	10	~
11	12	13	14	15	16	17	18	19	20	~
21	22	23	24	25	26	27	28	29	30	~
Totalt antal poäng / Total points					Examin. lärare / Kursansvarig signatur / Signature of the examiner					
Betyg / Grade					Namnförtydligande / Clarification of the signature					

8164617



Försättsbladet ska alltid lämnas in även om ingen uppgift behandlats /  
Examination should always be submitted even if no questions are answered



Ange anonymitetskod / Write your anonymity code  
 (Vid icke anonym tentamen ange kurskod + namn + personnummer)  
 (For non-anonymous exams write the course code + name + civic registration number)

FEAD11-0010-YGH

Löpande sidnr  
 Consecutive no:

1

Uppgift nr /  
 Question no:

Poäng / Points  
 awarded:

Lärarens  
 anteckning  
 Examiner's remarks:

# Answer

**Course: FEAD11 international Financial Accounting**

**Question 1-3**

35

Skriv ej i detta område  
 Leave this area blank





Ange anonymitetskod / Write your anonymity code  
 (Vid icke anonym tentamen ange kurskod + namn + personnummer)  
 (For non-anonymous exams write the course code + name + civic registration number)

Fead11-0010-YGH

Löpande sidnr  
 Consecutive no:

2

Uppgift nr /  
 Question no:

1

Poäng / Points  
 awarded:

Lärorens  
 anteckning  
 Examiner's remarks:

Skriv ej i detta område  
 Leave this area blank

There are a lot of obstacles within the accounting practise that makes the harmonization between countries. It is important to be aware of these obstacles / differences in order to achieve a harmonization. These are:

**Culture:** The culture within a country contains different believes, values and norms. These can differ a lot between countries and this can explain why the accounting practice look different between countries.

**Legal systems:** Different countries have different legal systems. Some are using common law, which is more principlebased and the law comes from the judgement of certain cases. Other countries uses the codified law system which is rulebased and the laws have been created on the regulators believes how something should be. Because of these two different law systems it is harder to achieve an harmonization/ convergence within the accounting practice

**Providers of finance:** It is differences in how the companies gets founded. Some are founded by investors and they want to know how much they can earn from a certain investment. Therefore, they probably want the companies to use fair value as a valuation method.





Ange anonymitetskod / Write your anonymity code  
 (Vid icke anonym tentamen ange kurskod + namn + personnummer)  
 (For non-anonymous exams write the course code + name + civic registration number)

Fead11-0010-16H

Löpande sidnr  
 Consecutive no:

3

Skriv ej i detta område  
 Leave this area blank

Other companies is founded by creditors.  
 The creditors want to assess the risk of loaning out money to the company. They will of course know that they can get their money back at some point. Therefore, they probably want the companies to use historical cost because it is a more reliable and stable valuation method

Uppgift nr /  
 Question no:

1

Poäng / Points  
 awarded:

12

Lärarens  
 anteckning  
 Examiner's remarks:

Tax systems: Different countries have different tax systems

As you can see, there are a lot of differences and obstacles in order to achieve a harmonization within the accounting practice. Some even argue that harmonization is not the way to go because it is so many differences.





Ange anonymitetskod / Write your anonymity code  
(Mid icke anonym tentamen ange kurskod + namn + personnummer)  
(For non-anonymous exams write the course code + name + civic registration number)

Fead11-0010-YGH

Löpande sidnr  
Consecutive no:

4

Uppgift nr /  
Question no:

2

Poäng / Points  
awarded:

Lärarens  
anteckning  
Examiner's remarks:

Skriv ej i detta område  
Leave this area blank

The two biggest organizations that regards the accounting standards is IASB (International accounting standard Board) and FASB (Financial Accounting standard Board). Their work is to create and develop standards on how to interpret and create financial statements. IASB set of standards is called IFRS and FASB's is called the US GAAP.

FASB works closely with SEC which is an organization containing 5 members with quasi-judicial power and are elected by the president. Their focus is more on the public sector and the control of the stock market while the FASB controls the private sector and the accounting profession.

Both FASB and IASB are working on developing standards in order to create a convergence within the accounting profession and increase the understandability, comparability, verifiability and timeliness as the enhancing qualitative characteristics says in the IASB conceptual framework.

These organizations can't control the law but they produce standards on how to interpret it. Therefore, it might expose them for political lobbying.





Ange anonymitetskod / Write your anonymity code  
(Vid icke anonym tentamen ange kurskod + namn + personnummer)  
(For non-anonymous exams write the course code + name + civic registration number)

Fea11-0010-YGH

Löpande sidnr  
Consecutive no:

5

Uppgift nr /  
Question no:

2

Poäng / Points  
awarded:

11

Lärens  
anteckning  
Examiner's remarks:

Skriv ej i detta område  
Leave this area blank

As a member of the IASB or FASB it is your task to produce standard that is unbiased and does not favor any parties/groups. This can be hard because there are so many entities that might want to lobby for their favour. There is a theory called capture theory that says that the regulated parties will over time get control over the regulators and in that way get control over the regulation. The people that might want to lobby is for example, companies, government, unions, investors, creditors, audit firms.

The IASB and FASB task is to develop standards and educate the users on how to interpret and use the standards. IASB standards shall follow the conceptual framework. The conceptual framework is not a standard but IAS 1 turns many of the statements from the conceptual framework to requirements





Ange anonymitetskod / Write your anonymity code  
(Vid icke anonym tentamen ange kurskod + namn + personnummer)  
(For non-anonymous exams write the course code + name + civic registration number)

FEAD11-0010-YGH

Löpande sidnr  
Consecutive no:

6

Uppgift nr /  
Question no:

3

Poäng / Points  
awarded:

Lärarens  
anteckning  
Examiner's remarks:

Skriv ej i detta område  
Leave this area blank

Due to the changes in the world today and that the stakeholders are more aware of what is happening, they have more demands on the companies. It is not enough to only disclose the hard information any more. Hard information is for example the financial statements where the companies gets the information of the change in net assets etc. Therefore, have the soft information slowly been developed. This is the information that isn't that easy to verify but the companies is disclosing it in order to satisfy the stakeholders demands. It can be non-mandatory information what the company is doing in order to get more environmentally friendly or what they do in order to create a more habitable and better work arrangement. This information is harder to control but the stakeholder demand more information that does not exist in the Hard information. That's why CSR reports and other similar reports has been developed and given out by the companies.

The informative disclosure means that you disclose what kind of methods you use when you for example value the companies assets and liabilities. Is it fair value accounting or historical cost accounting. Today this kind of information is needed because the market





Ange anonymitetskod / Write your anonymity code  
 (Vid icke anonym tentamen ange kurskod + namn + personnummer)  
 (For non-anonymous exams write the course code + name + civic registration number)

Fead11-0010-Y6H

Löpande sidnr  
Consecutive no:

7

Skriv ej i detta område  
Leave this area blank

has expanded to a more global market  
because different countries have different  
standards.

Uppgift nr /  
Question no:

3

Poäng / Points  
awarded:

12

Lärarens  
anteckning  
Examiner's remarks:

Differential disclosure means that you  
disclose different kind of reports in order  
to satisfy every stakeholders demands.  
Because the contradictory reports it can  
be easier to satisfy the stakeholders  
and make the information more comparable  
towards other companies





Ange anonymitetskod / Write your anonymity code  
 (Vid icke anonym tentamen ange kurskod + namn + personnummer)  
 (For non-anonymous exams write the course code + name + civic registration number)

FEAD11-0010-26H

Löpande sidnr  
 Consecutive no:

8

Uppgift nr /  
 Question no:

Poäng / Points  
 awarded:

Lärarens  
 anteckning  
 Examiner's remarks:

# Answer

**Course: FEAD11 international Financial Accounting**

**Question 4-6**

Skriv ej i detta område  
 Leave this area blank





Ange anonymitetskod / Write your anonymity code  
(Vid icke anonym tentamen ange kurskod + namn + personnummer)  
(For non-anonymous exams write the course code + name + civic registration number)

Löpande sidnr  
Consecutive no:

9

Feed11-0010-YGH

Skriv ej i detta område  
Leave this area blank

Against regulations

In the unregulated market there is an assumption that there is an incentive to voluntary report because the companies are competing for scarce financial capital. Therefore it is not necessary to have regulations.

The company want to disclose information because it would look bad if they did not do it.

If there is too many regulations there is a risk for regulation overload and the companies are "forced" to do certain things even if knowone is using it

Uppgift nr /  
Question no:

4

Poäng / Points  
awarded:

7

Lärarens  
anteckning  
Examiner's remarks:

In an regulated market there is an assumption that the regulations are needed because the companies is reluctant to disclose information. Without regulations it is a possibility that the companies won't disclose any information at all.

Without regulation there is a risk of an increase of fraud and the disclosing of misleading information.

Develop





Ange anonymitetskod / Write your anonymity code  
 (Vid icke anonym tentamen ange kurskod + namn + personnummer)  
 (For non-anonymous exams write the course code + name + civic registration number)

Fead11-0010-Y6H

Löpande sidnr  
 Consecutive no:

10

Skriv ej i detta område  
 Leave this area blank

Uppgift nr /  
 Question no:

5a

Poäng / Points  
 awarded:

13

Lärares  
 anteckning  
 Examiner's remarks:

a) The normative theory was developed in the 1960-1970. Before this theory, theories was developed through inductions through observations. The normative theory wasn't developed in that way. It had a more deductive approach, which means that it is based on the developers own believes and ideas. A normative theory tells you what to do. For example how to value an asset or liability. Should you use fair value or historical cost

A Predictive theory or positive theory as it is also called came as an answer to the normative theory. This is because the normative theory did not have any empirical research to "back it up". A Predictive theory might have an deduktive approach at first but is then tested through observations to see if it works or if anything needs to be changed. The predictive theory explains and predict what will happend rather than telling you what to do as the normative theory does

Normative theory tells you what to do  
 Predictive theory explains and predict a phenomenon





Ange anonymitetskod / Write your anonymity code  
 (Vid icke anonym tentamen ange kurskod + namn + personnummer)  
 (For non-anonymous exams write the course code + name + civic registration number)

Fead.11-0610-YGH

Löpande sidnr  
 Consecutive no:

11

Skriv ej i detta område  
 Leave this area blank

Uppgift nr /  
 Question no:

53

Poäng / Points  
 awarded:

Lärarens  
 anteckning  
 Examiner's remarks:

5) An example of a normative theory could be the conceptual framework because it tells you what to do and what kind of information you have to disclose and what valuation methods you should use.

A predictive theory could be the positive accounting theory (PAT) because it explains a certain behavior. According to PAT are individuals acting in selfinterest and if you are given a choice between two alternatives you are going to choose the alternative that are favoring you the most. It describes a certain phenomenon and not tell you what to do.





Ange anonymitetskod / Write your anonymity code  
 (Vid icke anonym tentamen ange kurskod + namn + personnummer)  
 (For non-anonymous exams write the course code + name + civic registration number)

Feadll-0010-76H

Löpande sidnr  
 Consecutive no:

12

Skriv ej i detta område  
 Leave this area blank

Uppgift nr /  
 Question no:

6a

Poäng / Points  
 awarded:

12

Lärares  
 anteckning  
 Examiner's remarks:

a) An investor want to know what the companies assets and liabilities are worth today. That's the main reason why the investors prefer fair value accounting befor historical cost accounting. They want to know if it is worth to do an investment or not.

The historical cost accounting is on one hand more stable and reliable but it can give the investors misleading information if the assets or liabilities has increased or decreased in value since it was brought into the company. The fair value take care of this "problem" and the assets and liabilities gets revaluated when an increase or decrease happens. It means that it will give the investor a more accurate picture of the company's situation.





Ange anonymitetskod / Write your anonymity code  
(Vid icke anonym tentamen ange kurskod + namn + personnummer)  
(For non-anonymous exams write the course code + name + civic registration number)

Fead11-0010-Y6H

Löpande sidnr  
Consecutive no:

13

Uppgift nr /  
Question no:

66

Poäng / Points  
awarded:

Lärarens  
anteckning  
Examiner's remarks:

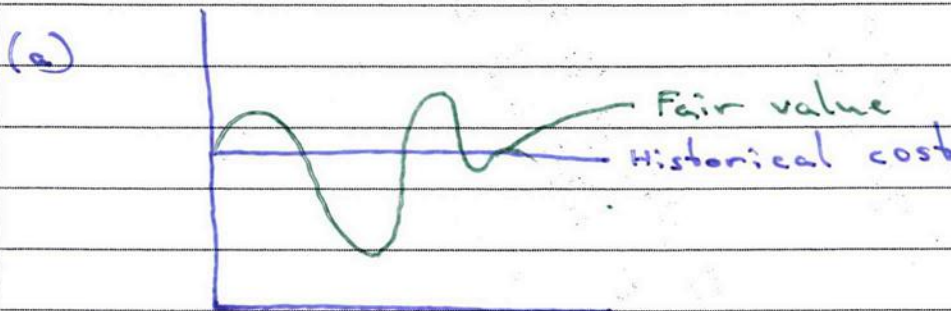
Skriv ej i detta område  
Leave this area blank

b) It can be hard to establish an accurate value of an asset or liability.

The assets and liabilities value can go up and down depending on several factors. This will lead to winnings or losses that are either realised or unrealized.

Because it can be hard to establish an accurate value it is not a completely trust worthy valuation method.

Duval



The diagram shows the differences between the fair value accounting and the historical cost accounting. As you can see is the historical cost more stable but fair value shows what the asset really are worth. (I don't take depreciation in consideration in this example)