

# The economic consequences of accounting for derivatives

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Propositions  
accompanying the dissertation

# The Economic Consequences of Accounting for Derivatives

by  
Abiot Mindaye Tessema

1. Mandatory derivative instruments recognition and disclosure is useful to investors and its usefulness increases when products market competition decreases. (Chapter 2)
2. The quality of accounting recognition and disclosure decreases uncertainty about the precision of information that investors receive. (Chapter 3)
3. The quality of accounting recognition and disclosure is more relevant for firms with higher earnings volatility than for firms with lower earnings volatility. (Chapter 3)
4. The mismatch between the recognition of gains and losses of ineffective hedges and the hedged items in the income statement induces income smoothing. (Chapter 4)
5. Derivative instruments are financial weapons of mass destruction, carrying dangers that, while now latent, are potentially lethal. (Warren Buffett)
6. At the same time that practitioners are unique consumers of research, they must also be the well-springs of research. (Lloyd, Weintraub, and Safer)
7. There is no happiness except in the realization that we have accomplished something. (Henry Ford)
8. Every noble work is at first impossible. (Thomas Carlyle)
9. Darkness cannot drive out darkness: only light can do that. Hate cannot drive out hate: only love can do that. (Martin Luther King, Jr.)