



**TECHNICAL UNIVERSITY OF MOMBASA**  
***Faculty of Business and Social Studies***

DEPARTMENT OF BUSINESS STUDIES

UNIVERSITY EXAMINATIONS FOR DEGREE IN  
BACHELOR OF BUSINESS ADMINISTRATION  
BACHELOR OF COMMERCE

**BAC 4403: FINANCIAL ACCOUNTING THEORY**

END OF SEMESTER EXAMINATIONS

**SERIES: APRIL 2015**

**TIME: 2 HOURS**

**INSTRUCTIONS:**

- Answer Question **ONE (Compulsory)** and any other **TWO** questions.
- Do not write on the question paper

***This paper consists of Two printed pages***

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**QUESTION 1 (Compulsory)**

- a) Discuss the qualitative characteristics of accounting information. **(6 marks)**
- b) The formulation of the structure of accounting theory may be considered as a deductive, interactive process in which the objectives of accounting provide the basis for accounting postulates, the theoretical concepts of accounting, and the accounting principles from which the accounting techniques are derived. Explain briefly the terms: accounting postulates, theoretical concepts of accounting, accounting principles and the accounting techniques. **(6 marks)**
- c) Briefly advance arguments for general price level accounting. **(6 marks)**
- d) Explain the nature and relevance of accounting history. **(6 marks)**

- e) Although the building of a theory is a worthwhile project, its success depends on its truth and the extent to which it is isomorphic with reality. A theory is evaluated to prove the adequacy of what it proposes. Identify and explain **FIVE** epistemological criteria that may be used to determine a good theory. **(6 marks)**

## QUESTION 2

International accounting may be defined by using three major concepts that encompass different scopes.

These include:

- a) Parent-foreign subsidiary accounting or accounting for subsidiaries;
- b) Comparative or international accounting;
- c) Universal or world accounting.

### **Required:**

Explain in sufficient details each one of the above concepts.

**(20 marks)**

## QUESTION 3

Ethics are concerned with the moral judgements involved in making right moral decisions about what is morally right and wrong or morally good and bad. This assumes the existence of moral standards that affect our human well-being and they are not established or changed by decisions of the authoritative bodies and they are intended to override self-interest and they are based on impartial considerations.

### **Required:**

Discuss the various categories of ethical perspectives or modes of ethical thinking that are applicable to accounting.

**(20 marks)**

## QUESTION 4

You have been asked by a colleague to present a brief paper to accounting students at the local University about recent attempts at convergence between International Financial Reporting Standards (IFRS) and US Generally Accepted Accounting Practice (GAPP). The students are knowledgeable about IFRS but have not studied US GAAP in any detail.

### **Required:**

Prepare the paper, describing the progress to date of the convergence project, including some examples of areas where convergence has taken place.

**(20 marks)**

## QUESTION 5

- a) Discuss the nature of accounting standards. **(10 marks)**
- b) Explain the goals of accounting standard-setting. **(10 marks)**