



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 4404: FINANCIAL ACCOUNTING THEORY

SPECIAL/SUPPLEMENTARY EXAMINATIONS

SERIES: FEBRUARY 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

QUESTION 1 (Compulsory)

- a) Discuss the nature of harmonization of accounting standards. **(6 marks)**
- b) Explain the virtues and role of accounting. **(6 marks)**
- c) The accounting standards overload is generally associated with the proliferation of accounting standards. Discuss the situations that are identified with accounting standards overload. **(6 marks)**
- d) What is meant by the accounting policies of a reporting entity? **(6 marks)**
- e) Discuss the following accounting principles:
 - i) The cost principle **(2 marks)**
 - ii) The matching principle **(2 marks)**
 - iii) The full disclosure principle **(2 marks)**

QUESTION 2

Discuss the accounting standard-setting strategies that may be applied by developing countries.

(20 marks)

QUESTION 3

Discuss **THREE** major concepts of international accounting.

(20 marks)

QUESTION 4

The accounting postulates are self-evident statements or axioms, generally accepted by virtue of their conformity to the objectives of financial statements, that portray the economic, political, sociological and legal environments in which accounting must operate.

Required:

Discuss in sufficient details **FOUR** major accounting postulates.

(20 marks)

QUESTION 5

In many industries there is a large gap between the market capitalization of listed entities and the balance sheet value of their net assets. Some commentators have suggested that the gap comprises unrecognized intangible assets in the form of intellectual capital obtained through the employment of human resources, and that these assets should be capitalized.

Required:

Identify and discuss the principal arguments for and against the proposal to capitalize intellectual capital.

(20 marks)