



**TECHNICAL UNIVERSITY OF MOMBASA**

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**SCHOOL OF BUSINESS**

**UNIVERSITY EXAMINATION FOR:**

**BACHELOR OF BUSINESS ADMINISTRATION**

**BACHELOR OF COMMERCE**

***BAC 4405: FINANCIAL ACCOUNTING THEORY***

**END OF SEMESTER EXAMINATION**

**SPECIAL/SUPPLEMENTARY EXAMINATIONS**

**SERIES: DEC 2024**

**TIME: 2 HOURS**

**DATE:**

**Instructions to Candidates**

You should have the following for this examination

*-Answer Booklet, examination pass and student ID*

This paper consists of FIVE questions. Attempt Question ONE and any other TWO questions from this paper.

Do not write on the question paper.

### **QUESTION ONE (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. (6marks)
- 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 TWO**

Discuss the accounting standard-setting strategies that may be applied by developing countries. (20 marks)

### **QUESTION THREE**

Discuss THREE major concepts of international accounting. (20 marks)

### **QUESTION FOUR**

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 FIVE**

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)