



TECHNICAL UNIVERSITY OF MOMBASA

School of Business

Department of ACCOUNTING & Finance

UNIVERSITY EXAMINATION FOR:

BACHELOR OF BUSINESS ADMINISTRATION

BACHELOR OF COMMERCE

BAC 4407: FINANCIAL ACCOUNTING THEORY

MAIN EXAMINATION

SERIES: APRIL 2025

TIME: 2 HOURS

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 (Compulsory) and any other TWO questions.

Do not write on the question paper.

Question ONE: (COMPULSORY)

- a) Explain the virtues and role of accounting (6marks).
- b) (i) What is a theory? (3marks).
- (ii) Does accounting have a general theory or middle range theories? (3 marks).
- c) (i) What is meant by accounting standards overload? (3 marks).
- (ii) What are the effects of accounting standards overload? (3 marks).
- d) Define conceptual framework (6 marks).

- e) Explain the following terms:
- i. The accounting postulates (1½ marks).
 - ii. The theoretical concepts of accounting (1½ marks).
 - iii. The accounting principles (1½ marks).
 - iv. The accounting techniques (1½ marks).

(Total = 30 marks).

Question TWO

Accountants draw on different images of the accounting process to elaborate different theories of accounting. Some of the images that have shaped developments in financial accounting include:

- a) Accounting as an ideology. (4 marks).
- b) Accounting as a language. (4 marks).
- c) Accounting as historical record. (4 marks).
- d) Accounting as current economic reality. (4 marks).
- e) Accounting as an information system. (4 marks).

Required

Discuss each one of the above images

(Total = 20 marks).

Question THREE

Discuss the particular, general and the qualitative objectives of financial accounting.

(20 marks).

Question FOUR

Discuss the following accounting principles:

- a) The matching principle. (5 marks).
- b) The objectivity principle (5 marks).
- c) The consistency principle (5 marks).

d) The prudence principle

(5 marks).

(Total = 20

marks).

Question FIVE

Discuss international accounting by highlighting the following three major concepts.

1. Parent -foreign subsidiary accounting or accounting for subsidiaries; (7 marks).

2. Comparative or international accounting. (7 marks).

3. Universal or world accounting (6 marks).

(Total = 20

marks).