



TECHNICAL UNIVERSITY OF MOMBASA
SCHOOL OF BUSINESS
DEPARTMENT OF ACCOUNTING AND FINANCE

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

BAC 4407: FINANCIAL ACCOUNTING THEORY
SPECIAL/SUPPLEMENTARY EXAMINATION

DATE: 2025

TIME: 2 HOURS

INSTRUCTIONS: ANSWER QUESTION ONE (COMPULSORY) AND ANY OTHER TWO QUESTIONS.

Question 1

- a) As in any other discipline, a methodology is required for the formulation of an accounting theory. The divergence of options, approaches, and values between accounting practice and accounting research has led to the use of two methodologies.

Required:

Identify and explain two methodologies that could be used to formulate an accounting theory.

(6 marks)

- b) Formulating the objectives of accounting depends on resolving the conflict of interests that exist in the information market. More specifically, financial statements result from the interaction of three groups; firms, users and the accounting profession. Discuss.

(6 marks)

- c) Explain the nature of conceptual framework.

(6 marks)

- d) The development of the postulates, theoretical concepts and principles of accounting has always been one of the most challenging and difficult tasks in accounting.

Required:

Define the following terms:

- i) Accounting postulates (1½ marks).
- ii) Theoretical concepts of accounting (1½ marks).
- iii) Accounting principles (1½ marks).
- iv) Accounting techniques (1½ marks).

- e) Discuss the “true and fair” doctrine as applied in accounting. (6 marks)
(Total = 30 marks)

Question 2

Discuss three major theoretical concepts of accounting. (20 marks)

Question 3

The developing countries are characterized by relatively inadequate and unreliable accounting systems and generally new and untested standard setting institutions. Theory development and academic and professional accounting research add to the economic, social, political and institutional problems that may be acting as deterrents to effective standard-setting.

Required:

In view of the above statement, discuss four strategies that may be adopted by developing countries for standard setting in accounting. (20 marks)

Question 4

Discuss the modes of ethical thinking that are applicable to accounting. (20 marks)

Question 5

The principle of fairness in disclosure would advocate expanding the scope of accounting information beyond conventional accounting information. Examples of new accounting disclosures under this principle of fairness in disclosure include:

- a) Value added reporting; (5 marks).
 - b) Employee reporting; (5 marks).
 - c) Human Resource accounting; (5 marks).
 - d) Social accounting and reporting; (5 marks).
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Required

Discuss the above new accounting disclosures.

(Total = 20 marks)

