



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

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

**BAC 4403: FINANCIAL ACCOUNTING THEORY**

**SPECIAL /SUPPLEMENTARY EXAM**  
**SERIES: AUGUST 2024**  
**TIME: 2 HOURS**

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

**QUESTION 1 (Compulsory)**

- a) Discuss the FOUR reasons that are generally advanced to explain the role of double-entry in the economic expansion following the close of the Middle Ages. **(6 marks)**
- b) Discuss briefly the virtues and role of accounting. **(6 marks)**
- c) Explain what is meant by accounting standards overload. **(6 marks)**
- d) The development of the postulates, theoretical concepts and principle and techniques has been one of the most challenging and difficult tasks in accounting.

Explain the terms accounting, theoretical concepts, accounting principles and accounting techniques. **(6 marks)**

- e) It is generally accepted in international accounting that accounting objectives, standards, policies and techniques reflect the particular environment of the standard setting body. Identify and explain the environmental conditions that are likely to affect determination of accounting standards in a particular country. **(6 marks)**

**(Total = 30 marks)**

## QUESTION 2

- a) Using a diagram, explain the nature of the structure of an accounting theory.

**( 12 marks)**

- b) Financial statements of companies are required by law to present a true and fair view of the state of affair. Explain the “true and fair” doctrine.

**marks)**

**(8**

## QUESTION 3

- a) The conceptual framework is intended to act as a constitution for the standard setting process.

### **Required**

Explain the nature of conceptual framework.

**( 10marks)**

- b) Identify and explain FOUR standard setting strategies that may be adopted by developing countries.

**marks)**

**(10**

## QUESTION 4

Accounting provides a lot of services to the quality of the economic information known as assurance services.

- a) Identify the traditional fields in which accounting has been useful as well as the new developments **(10 marks)**

- b) Explain the forces that have been behind the demand for assurance services **(10 marks)**

## QUESTION 5

You are the Management Accountant of Clean Co. Ltd, an entity listed in a country that permits entity to publish financial statements in accordance with IFRS. Clean Ltd is considering a listing on a UK stock Exchange in the near future. Your CEO takes a keen interest in financial reporting but he is not a professionally-qualified account ant. He has recently sent you a memorandum that raises the following issues:

“My political contacts tell me that government ministers are very interested in extending the practice of environmental reporting. What exactly does “environment reporting” mean, and to what extent is it mandatory? Why does there seem to be a trend towards greater environmental reporting? You don’t need to go into massive detail, just give me an outline of what is involved”.

**Required:**

- a) Draft a reply that deals with this issue. You should refer to the provisions of IFRS, and any other relevant documents where you consider them to be of assistance in supporting your reply.

**(14 marks)**

Although the standard and volume of environmental disclosure has increased in recent year, the current situation is not wholly satisfactory. Explain the problem encountered in environmental reporting.

**(6 marks)**