



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 4403: FINANCIAL ACCOUNTING THEORY
END OF SEMESTER EXAMINATIONS- MAIN EXAM

DATE: AUGUST 2024

TIME: 2 HOURS

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

QUESTION 1

- a) One cannot imagine what capitalism would be without double-entry bookkeeping, the two phenomena are connected as intimately as form and content. One cannot say whether capitalism created double-entry bookkeeping as a tool in its expansion; or perhaps, conversely, double-entry bookkeeping created capitalism (Sombart, 1919).

Required:

Discuss the reasons that are generally advanced to explain the role of double entry in the economic expansion following the close of the Middle Age. (6 marks)

- b) Discuss the following accounting principles;
- (i) The matching principles
 - (ii) The objectivity principle
 - (iii) The consistency principle
 - (iv) The conservatism principle (6 marks)
- c) (i) What is meant by Accounting Standards overload? (3 marks)
- (ii) Explain the effects of accounting standards overload. (3 marks)
- d) What is meant by the term creative accounting? (6 marks)
- e) A theory is identifiable by its structure and the functions it performs. Each of the functions serves as a criterion for the evaluation of the contribution of all theory in meeting the needs of a given discipline.

Required:

Identify and explain four functions of a theory. (6 marks)

(Total = 30 marks)

QUESTION 2

Discuss the nature of accounting standards. (20 marks)

QUESTION 3

Discuss four accounting postulates. (20 marks)

QUESTION 4

Discuss the **particular, general** and **qualitative** objectives of financial statements (accounting). **(20 marks)**

QUESTION 5

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
- b) Accounting as a language
- c) Accounting as a historical record
- d) Accounting as current economic reality
- e) Accounting as an information system

Required

Discuss any five of the above accounting images. **(20 marks)**