



**THE MOMBASA POLYTECHNIC UNIVERSITY COLLEGE**

**(A Constituent College of JKUAT)**

(A Centre of Excellence)

# **Faculty of Business & Social Studies**

DEPARTMENT OF BUSINESS STUDIES

**UNIVERSITY EXAMINATION FOR BACHELOR OF BUSINESS  
ADMINISTRATION (BBA Y4, S2)**

HBC 2237: FINANCIAL ACCOUNTING THEORY

**END OF SEMESTER EXAMINATION**

**SERIES: DECEMBER 2012**

**TIME ALLOWED: 2 HOURS**

## **INSTRUCTIONS TO CANDIDATES:**

Answer question **ONE (COMPULSORY)** and any other **TWO** questions

This paper consists of **TWO** printed pages

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### **Question One**

- a) Explain 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. **(12 marks)**
- b) Using a diagram, explain the nature of the structure of an accounting theory. **(8 marks)**

- c) Financial statements of companies are required by law to present a true and fair view of the state of affairs. Explain the “true and fair” doctrine. **(10 marks)**

### **Question Two**

- a) Discuss the following accounting principles
- (a) The cost principle
  - (b) The consistency principle
  - (c) The full disclosure principle
  - (d) The conservation principle
- (20 marks)**

### **Question Three**

Discuss the objectives of financial reporting. **(20 marks)**

### **Question Four**

- a) The conceptual framework is intended to act as a constitution for the standard setting process. Required:  
Explain the nature of conceptual framework. **(10 marks)**
- b) Identify and explain **FOUR** standard setting strategies that may be adopted by developing countries. **(10 marks)**

### **Question Five**

- a) What do you understand by the term theory? **(3 marks)**
- b) Discuss briefly the nature of an accounting theory. **(7 marks)**
- c) As in any other discipline, a methodology is required for the formulation of an accounting theory. The divergence of opinions, practice and accounting research has led to the use of two methods. Discuss briefly these two methodologies. **(10 marks)**