



MACHAKOS UNIVERSITY

University Examinations for 2019/2020 Academic Year

SCHOOL OF BUSINESS AND ECONOMICS

DEPARTMENT OF ACCOUNTING BANKING AND FINANCE

SECOND YEAR SECOND SEMESTER EXAMINATION FOR

BACHELOR OF SCIENCE (COMMUNITY RESOURCE MANAGEMENT)

ERC 405: ENVIRONMENTAL RESOURCES ACCOUNTING

DATE: 23/10/2020

TIME: 8:30 – 10:30 AM

INSTRUCTIONS:

Answer question one and any other two questions.

QUESTION ONE (COMPULSORY) (30 MARKS)

- a) Give a brief historical background of the SEEA Central frame work (5 marks)
- b) Every type of corporate report is based on some fundamental assumptions. Identify and explain any four assumptions with respect to environmental reports (8 marks)
- c) Explain the following types of environmental liabilities according to environmental accounting (6 marks)
 - i) Compliance obligations
 - ii) Remediation obligations
 - iii) Fines and penalties
 - iv) Compensation obligations
- d) Environmental accounting can be classified into internal functions and external functions. State four merits of external reporting (4 marks)
- e) Compare SEEA central framework to the system of national accounts (SNA) (4 marks)
- f) Explain the concept behind recognition and measurement of environmental liabilities with respect to environmental resources accounting (3 marks)

QUESTION TWO (20 MARKS)

Discuss the salient features of the four accounts in the integrated framework for environmental activity accounts. The discussion should be limited to the scope, variables, valuation rules and classifications for each

- a) Environmental goods and services sector (EGSS)
- b) Environmental protection expenditure (EPEA)

- c) Resource management expenditure account (REMEA)
- d) Environmental subsidies and other transfers account (ESST)

QUESTION THREE (20 MARKS)

- a) Distinguish between SEEA central framework and the system of National Accounts with respect to:-
 - i) Physical flows and monetary flows (5 marks)
 - ii) Stocks and flows of assets (5 marks)
- b) One of the most important features of the SEA Central framework is its capacity to organize physical and monetary data with common scope, definitions and classifications into combined presentations, whereby the structure of combined presentations depends on the topic of measurement. State four common features and benefits of these combinations (4 marks)
- c) Explain the following terminologies as used in environmental accounting (6 marks)
 - i) Environmental liability
 - ii) Environmental assets
 - iii) Natural assets
 - iv) Environmental expenditure

QUESTION FOUR (20 MARKS)

- a) The SEEA-2003 contained an extended examination of the accounting for non-renewable resources particularly mineral and energy resources including a discussion on the allocation of resource rent between depletion and a return on environmental assets. How has the SEEA concluded as treatment in each of the following relevant areas:- (5 marks)
 - i) Resource rent
 - ii) Costs of mineral exploration
 - iii) Economic value of mineral and energy resources
 - iv) Additions to the stock of natural resources
 - v) Depletion
- b) Identify and explain four users of corporate environmental information and identify the specific needs of each user (8 marks)
- c) Explain what the physical flow and hybrid accounts are what the importance of the accounting (7 marks)

QUESTION FIVE (20 MARKS)

- a) When preparing environmental resources accounts, it is always important to follow the stipulated accounting principles. Explain any four reasons (8 marks)
- b) Describe any two modules used in the valuation of natural resources and environmental impacts based on SEEA framework (12 marks)