



MACHAKOS UNIVERSITY

University Examinations for 2022/2023 Academic Year

SCHOOL OF BUSINESS, ECONOMICS AND HOSPITALITY AND TOURISM

MANAGEMENT

DEPARTMENT OF BUSINESS ADMINISTRATION AND FINANCE

FOURTH YEAR SECOND SEMESTER EXAMINATION FOR

BACHELOR OF COMMERCE (ACCOUNTING OPTION)

BAC 405: ACCOUNTING THEORY

DATE:

TIME:

INSTRUCTIONS

Answer question ONE and any other TWO questions

QUESTION ONE (COMPULSORY) (30 MARKS)

- a) In accounting for price level changes under physical capital maintenance, deprival amounts refers to how much one would lose if denied an item. State and explain the three ways in which the deprived values may be valued (6 marks)
- b) All staff work from the firms office. A junior member of staff has just returned to work after taking special leave to care for her elderly mother for financial reasons she needs to work full-time. She had been having difficulties with her mother's home care arrangements causing her to miss several team meetings which usually take place at the beginning of each day and to leave work early. She is very competence I her work that her absences are putting pressure on her and her overworked colleagues. You are her management and you are ware that the follow of work through the practice is coming under pressure on of her male colleagues beginning to make inappropriate comments such as woman's place is in her home and is undermining her at every opportunity, putting her under even greater stress. As a professional accountant in public practice.
- i) Which fundamental principles feature more prominently for safe guarding (6 marks)

- ii) With respect to the key considerations (6 marks)
- Identify the relevant facts
 - Identify the affected parties
 - who should be involved in the resolution
- iii) Explain the possible cause of action (2 marks)
- c) Several areas in which corporate social objectives may be found with reference to this .Discuss the scope of social responsibility (10 marks)

QUESTION TWO (20 MARKS)

- a) In the preparation of published financial statements as far as expenditure is concerned under directions and employees emoluments, which specific items should be disclosed. (4 marks)
- b) Giving two examples, explain the inductive methods as an attempt to construction of accounting theory. (4 marks)
- c) Human resource accounting is basically adopted to treat human resources an asset to generate human data about human resources and to present human assets in the statement of financial position. Prove this statement in tabular form by classifying the reasons into both internal and external. (4 marks)
- d) State four limitations of the four basic recognition and measurement concepts. (4 marks)
- e) To be useful accounting information in addition to being relevant and reliable must be comparable identify and briefly explain four items that adversely affect comparability of financial statement (4 marks)

QUESTION THREE (20 MARKS)

- a) State and explain four ethical issues dogging the accounting profession (8 marks)
- b) State and explain the two major classes of traditional approach to development of accounting theory (5 marks)
- c) In the presentation of published statements financial positions state six headings under which we should classify investments (3 marks)

- d) Was Kenya justified in dropping its national standards of accounting in order to adopt the international standards of accounting (4 marks)

QUESTION FOUR (20 MARKS)

- a) To be useful accounting information in addition to being relevant and reliable must be comparable identify and briefly explain four items that adversely affect comparability of financial statement (4 marks)
- b) Giving two examples, explain the inductive methods as an attempt to construction of accounting theory . (4 marks)
- c) Too much has been devoted to theoretical differences in the various valuation models to Historical cost model. The provision of useful information should take precedence over adherence to single measurement model none of which may be consistent in providing the best information content. The greater relevance of current values in providing such useful information suggests that they should be preferred model in all cases system that employs the methods best suited to the specific properties of individual characteristics of assets. Referring to the above quotation explain the following accounting methods; (6 marks)
- (i) Current purchasing power accounting
 - (ii) Realisable value accounting
- c) What are the arguments against Human resource accounting. (6 marks)

QUESTION FIVE (20 MARKS)

- a) What are the main determinants of the development of accounting and financial reporting (5 marks)
- b) The international accounting standards committee was formed in 1973. Give three objectives of this committee and three barriers facing the committee in the introduction of international accounting standards. (6 marks)
- c) Integrity is one of the standard of ethical conduct for accountants. State four responsibilities for accountants with respect to integrity (4 marks)

- d) In the preparation of comprehensive income statement, explain the following items and how they should be presented in the financial statement (5 marks)
- i) Amounts w/o an investments
 - ii) Interest payable and similar charges
 - iii) Extra ordinary items exceptional items and prior years adjustment