



MASEÑO UNIVERSITY
UNIVERSITY EXAMINATIONS 2016/2017

**FOURTH YEAR SECOND SEMESTER EXAMINATIONS FOR THE
DEGREE OF BACHELOR OF BUSINESS ADMINISTRATION WITH
INFORMATION TECHNOLOGY**

CITY CAMPUS - EVENING

ABA 426: ACCOUNTING THEORY

Date: 18th July, 2017

Time: 5.30 - 8.30 pm

INSTRUCTIONS:

- Answer question ONE and any other THREE questions.
- Show all the workings clearly

QUESTION ONE

- a) ~~Accounting practices and accounting theory are closely related as accounting theory leads to new developments in accounting practices. In light of this statement, discuss any five benefits of learning accounting theory.~~(10marks)
- b) Discuss the objectives of financial reporting. (7.5marks)

QUESTION TWO

- a) Discuss the main contents of information contained in the notes to the accounts which accompany and form an integral part of the financial statements. (10marks)
- b) Explain the main sources of regulation of financial reporting. (7.5 marks)

QUESTION THREE

- a) Explain the recent trends in International Financial Reporting Standards (IFRSs) regarding any three significant issues. (7.5marks)
- b) The International Accounting Standards Board (IASB) bases its financial reporting standards on what sometimes is called a conceptual frame work. How far do you think that this approach is likely to be successful? (10marks)

QUESTION FOUR

- a) Assume that a company has a net income of Kshs 25 million. If the company pays out Kshs 1 million in preferred dividends and has 10 million shares for half of the year and Kshs 15 million shares for the other half. Calculate the Earnings Per Share (EPS) clearly showing your workings.

(7.5marks)

- b) Explain any five qualitative characteristics of accounting information.

(10marks)

QUESTION FIVE

- a) Discuss the limitations of International Accounting Standards (IAS) under the International Accounting Standards Board Framework (IASB).

(10marks)

- b) Explain the deductive methods as used in accounting theory clearly outlining the structure of its process.

(7.5 marks)

QUESTION SIX

- a) Explain any five accounting assumptions, principles and concepts applicable in Accounting Practice and Theory.

(10 marks)

- b) Discuss the criteria that International Accounting Standards (IAS 18) require for recognizing revenue from the sale of goods.

(7.5 marks)