



UNIVERSITY OF EMBU

2021/2022 ACADEMIC YEAR

SECOND SEMESTER EXAMINATIONS

THIRD YEAR SECOND SEMESTER EXAMINATION FOR THE DEGREE OF
BACHELOR OF COMMERCE

BAC 308: FINANCIAL ACCOUNTING THEORY

DATE: 14 APRIL, 2022

TIME: 8.30 -10.30 AM

INSTRUCTIONS:

Answer Question ONE and ANY Other TWO Questions.

QUESTION ONE (30 MARKS)

- a) Accounting conventions are customs or traditions which guide the accountant while preparing the financial statements. Explain accounting conventions (6 marks)
- b) State the financial reporting decisions under economics of financial reporting (5 marks)
- c) Explain the differences between normative and positive accounting theories (4 marks)
- d) Outline the characteristics of a testable theory (4 marks)
- e) Briefly discuss the human resource cost accounting methods (6 marks)
- f) State characteristics of the economic environment of a country which indicate case of hyperinflation (5 marks)

QUESTION TWO (20 MARKS)

- a) Explain the limitations of Human Resource Accounting (10 marks)
- b) Discuss the key principles of professional ethics (10 marks)

QUESTION THREE (20 MARKS)

- a) Accounting theory can be viewed from different perspectives. Briefly explain these perspectives (10 marks)
- b) Financial accounting information must possess certain characteristics for it to be regarded as faithfully represented. Explain these characteristics (6 marks)
- c) Differentiate between inductive and deductive theory development (4 marks)



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QUESTION FOUR (20 MARKS)

- a) Accountants are guided by the set standards. Explain reasons why accountants must observe the international accounting standards (8 marks)
- b) Explain any six limitations of financial statements to investors (12 marks)

QUESTION FIVE (20 MARKS)

Accounting concepts refer basic assumptions or conditions upon which the science of accounting is based. Briefly discuss various accounting concepts provided by conceptual framework (20 marks)

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