



MASENO UNIVERSITY
UNIVERSITY EXAMINATIONS 2016/2017

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

HOMA-BAY CAMPUS

ABA 426: ACCOUNTING THEORY

Date: 18th June, 2017

Time: 2.00 - 5.00 pm

INSTRUCTIONS:

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



QUESTION ONE

- a) Explain any five qualitative characteristics of accounting information.(10mks)
 - b) Discuss the objectives of financial reporting. (7.5marks)
-

QUESTION TWO

- a) Discuss the importance of accounting standards as propagated by the Internal Accounting Standards Board (IASB). (10 marks)
 - b) If there is a high degree of uncertainty regarding collectability then a business must defer the recognition of revenue under International Accounting Standards (IAS 18). Discuss any two methods that can be applicable in this situation. (7.5marks)
-

QUESTION THREE

- a) The law should lay down precise formats, contents and methods for the preparation of limited liability company accounts as per International Accounting Standards (IAS 1). Discuss? (7.5marks)
- b) The Accounting Standards Board 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) Explain what makes information in financial statements relevant to users. (7.5marks)
- b) Explain the meaning and significance of the revenue realization principle, accruals concept and Historical concept as applicable in accounting theory. (10marks)

QUESTION FIVE

- a) Discuss the need for Earnings Per Share (EPS) to an investor and show how it is derived. (10 marks)
- b) Distinguish between inductive and deductive methods as used in accounting theory. (7.5 marks)

QUESTION SIX

- a) Explain the various sources of accounting theory. (10 marks)
- b) Discuss the events after the balance sheet date citing relevant examples. (7.5 marks)