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**KIRIRI WOMENS' UNIVERSITY OF SCIENCE AND TECHNOLOGY**  
**UNIVERSITY EXAMINATION, 2023/2024 ACADEMIC YEAR**  
**FOURTH YEAR, SECOND SEMESTER EXAMINATION**  
**FOR THE DEGREE OF BACHELOR OF SCIENCE**  
**(BUSINESS ADMINISTRATION)**

Date: 8<sup>th</sup> December, 2023  
Time: 2.30pm – 4 .30pm

**KAC 405 - ACCOUNTING THEORY**

**INSTRUCTIONS TO CANDIDATES**

**ANSWER QUESTION ONE (COMPULSORY) AND ANY OTHER TWO QUESTIONS**

**QUESTION ONE (30 MARKS)**

- a) The Committee to Prepare a Statement of Basic Accounting Theory' was charged "to develop an integrated statement of basic accounting theory which will serve as a guide to educators, practitioners, and others interested in accounting. The statement should include adequate support for any position taken and sufficient explanation to provide clarity yet be as concise as feasible. Adapted from the review article. *Journal of accounting research*, 95-112.  
Based on the above excerpt accounting information serves a wide range of users with a variety of interests. Distinguish primary qualitative characteristics of accounting information from secondary qualitative characteristics of accounting information. (6 marks)
- b) Accounting information and financial reporting relies on various policies, principles and assumptions. Briefly explain three assumptions that Accountants make in their day-to-day discharge of professional duties. (6 marks)
- c) Explain the basic accounting theories.
- d) Highlight three users of accounting information. (6 marks)
- e) Explain the importance of adopting international accounting standards. (6 marks)

**QUESTION TWO (20 MARKS)**

- a) IPSAS 1, "Presentation of Financial Statements," replaces IPSAS 1, "Presentation of Financial Statements" (issued May 2000), and should be applied for annual reporting periods beginning on or after January 1, 2008. Earlier application is encouraged. Higher standards of measurement and reporting, along with a significant expansion of the amount of information disclosed, have been foremost among the new needs of users of financial statements. Explain the general information that an entity should provide based in the light of IPSAS 1. (10 marks)
- b) The International Ethics Standards Board for Accountants® (IESBA®) is an independent standard-setting body that develops an internationally appropriate International Code of Ethics for Professional Accountants (including International Independence Standards) (the Code). Briefly discuss five ethical considerations that are focused in the wider accountancy profession. (10 marks)

**QUESTION THREE (20 MARKS)**

- a) Briefly discuss four new approaches to accounting theory. (8 marks)
- b) Discuss the limitations of historical cost accounting. (6 marks)
- c) Evaluate three contemporary issues in accounting. (6 marks)

**QUESTION FOUR (20 MARKS)**

- a) Sustainability reporting as per GRI Guidelines is the practice of measuring and disclosing sustainability data with Performance Indicators and Management Disclosures. Examine FIVE main areas identified in respect to the scope of sustainability reporting and other related disclosures. (10 marks)
- b) Empirical studies in the finance field support the need for a regulated accounting system while others are of the contrary opinion. Clearly demonstrate the arguments advanced for an unregulated accounting system. (10 marks)

**QUESTION FIVE (20 MARKS)**

- a) Accounting field just like all other fields of study is confronted with emerging issues that require continuous research and development for improvement and remain relevant in the industry. Explain six emerging issues in this field in the 21<sup>st</sup> century. (8 marks)
- b) Discuss substance over form as used in accounting theory. (6 marks)
- c) Examine the implication of Human Resource Accounting in modern day business operations (6 marks)