



# **GRETSA UNIVERSITY - THIKA**

## **UNIVERSITY EXAMINATIONS MAY - AUGUST 2018 SEMESTER**

### **BACHELOR OF COMMERCE (ACCOUNTING)**

**COURSE CODE: BCAC 406**

**COURSE TITLE: ACCOUNTING THEORY**

**DATE: 2018**

**TIME: AM**

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#### **INSTRUCTIONS TO CANDIDATES**

1. SECTION A IS **COMPULSORY**.
2. SECTION B: ANSWER ANY OTHER **THREE** QUESTIONS.
3. **DO NOT** WRITE ANYTHING ON THIS QUESTION PAPER AS IT WILL BE AN EXAM IRREGULARITY.
4. ALL ROUGH WORK SHOULD BE AT THE BACK OF YOUR ANSWER BOOKLET AND CROSSED OUT.

**CAUTION:** *All exam rooms are under CCTV surveillance during the examination period.*

## SECTION A: COMPULSORY

### Question One

- a) Explain at least three financial statements and how they assist the decision maker (Prospective investor) [6 marks]
- b) Explain the accounting conceptual framework [10 marks]
- c) What are the major causes of the conflicting standards? Explain at least two such standards [10 marks]
- d) Explain five factors that leads to differences in financial reports of different countries [10 marks]
- i) Explain the accounting equation [4 marks]

## SECTION B: ANSWER ANY THREE QUESTIONS

### Question Two

- i) Explain the elements of financial accounting as laid out in the conceptual framework [8 marks]
  - ii) Explain the following terms as used in loss of value of intangible assets
    - Depletion [2 marks]
    - Depreciation [2 marks]
    - Amortization [2 marks]
  - iii) What is a subsidiary company [2 marks]
  - iv) What factors are in company accounts and not found in a partnership or a business [4 marks]
- a)

### Question three

- a) With reference to accounting theory, differentiate between the IFRS8 and IAS 10 Segment reporting [10marks]

- b) Explain the following terms as used in accounting
- i) Holding company [2 marks]
  - ii) Minority interest [3 marks]
  - iii) Branch company [2 marks]
  - iv) Wholly owned subsidiary [3 marks]

#### **Question Four**

- a) Minority interest is seen where there is a holding company explaining how the minors would benefit from the company. Explain minority statement and how its presented in the balance sheet [12marks]
- b) Differentiate between Measurement perspective and information perspective as used in accounting theory [8 marks]

#### **Question five**

- a) Differentiate between a branch and a holding company [4marks]
- b) With an aid of a diagram, explain the structure of accounting model [10 marks]
- c) A firm buys a vehicle at Kshs 1,000,000 and depreciates at the rate of 25% using the reducing balance method. Calculate the depreciation in the next three years [2 marks]
- d) Explain divided and capital disclosure in the financial statement [4 marks]