



GRE TSA UNIVERSITY - THIKA

UNIVERSITY EXAMINATIONS MAY-AUGUST 2023 SEMESTER

BACHELOR OF COMMERCE

COURSE CODE: BCAC 406

COURSE TITLE: ACCOUNTING THEORY

DATE: 3 AUGUST 2023

TIME: 3:00 PM – 6:00 PM

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) The Accountants Act Cap 531 (1977) establishes the Institute of Certified Public Accountants of Kenya (ICPAK) and two boards, to be known as the Registration of Kenya Accountants Board (RAB) and Kenya Accountants and Secretaries National Examinations Board (KASNEB). Explain the functions of ICPAK as outlined by the Act **[10 Marks]**
- b) Explain the alternatives to historical cost accounting **[10 Marks]**
- c) Accounting principles may at time contradict each other. Explain giving examples **[10 Marks]**
- d) Minority interest is that part of the net results of operations and of the net assets of a subsidiary attributable to interests that is not owned by the subsidiary
Explain how minority interest is presented in the financial statements **[10 Marks]**

SECTION B: ANSWER ANY THREE QUESTIONS

Question Two

- a) Explain the advantages of preparing consolidated financial statements **[10 Marks]**
- b) IAS 16 Property, plant and equipment defines depreciation as the allocation of depreciable amount of a non current asset over its useful life. Explain the main causes of depreciation **[10 Marks]**

Question three

- a) Explain the qualitative characteristics in accounting **[10 Marks]**
- b) Differentiate between current value accounting and current purchasing power accounting **[10 Marks]**

Question Four

- a) Explain the minimum items we expect on the face of the statement of comprehensive incomes. **[10 Marks]**
- b) Explain the main components of financial statements as laid out in published accounts **[10 Marks]**

Question five

- a) Explain the components of other comprehensive incomes **[10 Marks]**
- b) Highlight the advantages and the disadvantages of the current purchasing cost accounting **[10 Marks]**