



# PIONEER INTERNATIONAL UNIVERSITY

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UNIVERSITY EXAMINATIONS

BACHELOR OF COMMERCE 3.1

UNIT CODE: ACCT 3112

UNIT NAME: FINANCIAL ACCOUNTING THEORY

SEMESTER: MAY - AUGUST 2022

ACADEMIC YEAR: 2022/2023

DATE: JULY 2022

TIME: 2:00 HOURS

**INSTRUCTIONS: ANSWER QUESTION ONE AND ANY OTHER TWO QUESTIONS**

**QUESTION ONE**

- (a) Define the accounting concepts below and state their effect in the preparation of financial statement
- (i) Consistency [3 marks]
  - (ii) Materiality [3 marks]
  - (iii) Business entity [3 marks]
- (b) Explain the terms below
- (i) Going concern [3 marks]
  - (ii) Prudence [3 marks]
  - (iii) Historical cost [3 marks]
- (c) Explain the major issues discussed in IAS 29 –Price level changes and accounting [10 marks]
- (d) Distinguish between mandatory disclosures and voluntary disclosures [2 marks]

**QUESTION TWO [20 MARKS]**

- (a) Highlight five objectives of financial reporting [10 marks]
- (b) Financial reporting is an end product of accounting theory. Explain the importance of financial reporting and the relevance of accounting standards applicable. [10 marks]

**QUESTION THREE [20 MARKS]**

- a) Accounting postulates (axioms) are fundamental ideas upon which the whole intellectual structure of accounting discipline rests and are not susceptible to proof. Highlight four accounting axioms. [10 marks]
- b) Discuss the relevant theory in financial accounting [10 marks]

**QUESTION FOUR [20 MARKS]**

- (a) Explain the content of management commentary (8 marks)
- (b) Outline the limitations of financial information [10 marks]