



BBA 2210 – Accounting Theory and Practice

BACHELOR OF BUSINESS ADMINISTRATION DEGREE 2000 LEVEL

SECOND SEMESTER END EXAMINATION – 2015 June

Three hours

Instructions:

- Answer all questions.
- Calculators are permitted.

1 a). Differentiate the inductive accounting theory approach from deductive accounting theory approach.

(Marks 05)

b). Explain in brief the purpose of accounting theory.

(Marks 05)

c). Critically explain the positive accounting theory and its contribution to accounting.

(Marks 05)

(Total Marks 15)

2. “Sustainability Reporting and Triple Bottom Line Reporting are often considered to be synonymous”

Do you Agree or Disagree with the above statement? Justify your answer providing strong reasons.

(Marks 20)

3 a). Introduce briefly monetary assets and non-monetary assets with examples.

(Marks 05)

b). Explain how purchasing power loss or gain should be treated in the accounting process.

(Marks 05)

c). The Balance Sheet of Beta Company on 1st January 2011 is as follows. Rs. '000

Current Assets

Stocks	60,000	
Debtors	25,000	
Bank and Cash Balance	15,000	100,000

Non-current Assets

Land	100,000	
Plant	40,000	
Vehicle	10,000	<u>150,000</u>
		250,000

Current Liabilities

Creditors	28,000	
Other Short Term Liability	12,000	
Proposed Dividend	10,000	<u>(50,000)</u>

Equity 200,000

General Price level increase is 8% from 1st January 2011 to 31st December 2011. Here it is assumed that there is no trade during the year and all Assets, Liabilities and Equity remain the same until at the end of the financial year.

Following the Current Purchasing Power Accounting (CPPA) approach, calculate the monetary gain or loss for the Beta Company.

(Marks 10)

(Total Marks 20)

- 4 a). "Conceptual framework sets out the concepts that underline the preparation and presentation of financial statements for external users"

Briefly explain the role of conceptual framework in financial reporting.

(Marks 07)

- b). "The objective of financial statements is to provide information about the financial position financial performance and cash flows of an entity that is useful for wide range of users to make economic decisions"

Briefly discuss the general features of financial statements.

(Marks 08)

(Total Marks 15)