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UNIVERSITY OF RUHUNA

FACULTY OF MANAGEMENT AND FINANCE

Bachelor of Business Administration Degree Programme 3000 Level First

Semester End Examination (November / December 2021)

Academic Year 2020/2021

ACC 31103 - Accounting Theory and Practice

Instructions: Answer all questions.

Time: Three hours (03)

Total Marks: 70

1. (A). "A theory is a set of interrelated concepts, definitions, and propositions that present a systematic view of the phenomenon by specifying relationships among variables with the purpose of explaining and predicting the phenomenon."

Explain why do we need theory?

(03 Marks)

- (B). Briefly explain the main features of the age of record-keeping under the historical development of Accounting.

(03 Marks)

- (C). "An Accounting Information System (AIS) is a unified structure that employs physical resources and components to transform economic data into accounting information for external and internal users."

Describe the three basic functions performed by an AIS.

(03 Marks)

- (D.) Assume that you are the Chief Financial Officer in Amanda Company and are going to implement a new Accounting System for the company.

Discuss the stages that must be followed by Amanda Company when installing a new Accounting System.

(05 Marks)

(Total Marks 14)

2. "At the present time, no comprehensive theory of accounting exists. Instead, different theories are in practice."

(A).How do you define an Accounting Theory?

(02 Marks)

(B).Briefly discuss the deductive and inductive approaches in formulating Accounting Theory.

(05 Marks)

(C).Describe the characteristics of 'ethical approach' and 'economic approach' in traditional approaches to Accounting Theory.

(04 Marks)

(D).Elaborate the difference between normative accounting theory and positive accounting theory.

(03 Marks)

(Total Marks 14)

3. (A). "A conceptual framework is a framework which prescribes the nature, function, and limits of financial accounting and financial statements."

What are the purposes of the conceptual framework?

(02 Marks)

(B). Discuss the qualitative characteristics of useful financial information in the conceptual framework for preparation and presentation of the financial statements.

(05 Marks)

(C). "Accounting Standards may be defined as uniform rules for external financial reporting, applicable either to all or to a certain class of entity."

Outline the Accounting Standards setting process in Sri Lanka.

(05 Marks)

(D). Discuss the needs for Accounting Standards.

(02 Marks)

(Total Marks 14)

4. (A). It is stated that “there is no generally accepted concept of the social responsibility of business enterprises. However, Ernst and Ernst (1978) identified six (6) areas in which corporate social objectives may be found under the scope of social responsibility.”

Do you agree with this statement? Justify your answer with examples.

(05 Marks)

- (B). For a number of reasons, our financial reporting practices are not terribly useful for reporting corporate social responsibility information.

Discuss problems in traditional financial reporting.

(02 Marks)

- (C). “To ensure the growth and the development of any organization the efficiency of people must be augmented in the right perspective. Without human resources, the other resources cannot be operated effectively.”

Concentrate on the above statement, explain the importance of Human Resource Accounting.

(04 Marks)

- (D). Identify six (06) limitations of Human Resource Accounting.

(03 Marks)

(Total Marks 14)

5. (A). What do you mean by efficient market hypothesis and identify the three forms of that hypothesis.

(03 Marks)

- (B). Briefly explain the Portfolio Theory and identify the difference between systematic risk and unsystematic risk with suitable examples.

(04 Marks)

- (C). “Forensic Accounting provides an accounting analysis suitable for using in legal proceedings.”

(i) Explain the key characteristics of Forensic Accounting.

(ii) Outline factors need to be considered under the fraud response plan.

(04 Marks)

- (D). Briefly discuss the positive results of Accounting trends to the modern business world.

(03 Marks)

(Total Marks 14)
