



**UNIVERSITY OF RUHUNA**  
**FACULTY OF MANAGEMENT AND FINANCE**

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BACHELOR OF BUSINESS ADMINISTRATION HONOURS DEGREE

3000 LEVEL FIRST SEMESTER END EXAMINATION – AUG/SEP 2023

*Three Hours*

**ACC 31103 - Accounting Theory and Practice**

Academic Year 2022/2023

**Instructions**

➡ Answer all questions.

**Question 01**

A.

- (I). “Accounting is closely related with several other disciplines and thus to acquire a good knowledge in accounting one should be familiar with relevant aspects of such disciplines.”  
Do you agree with this statement? Discuss.

(03 Marks)

- (II). According to Most (1982), “a theory is a systematic statement of the rules or principles which underlie or govern a set of phenomena.”

Focusing on the above statement, explain the need of a theory.

(02 Marks)

B.

- (I). “Accounting appears to have been practiced since the beginning of recorded history.”

Briefly explain the main features of the age of record-keeping.

(02 Marks)

- (II). “An Accounting Information System (AIS) is a system that collects, records, stores and processes data to produce information for decision-makers.”

Describe the basic functions performed by an AIS.

(03 Marks)

- C. “An organization’s value chain consists of nine interrelated activities that collectively describe everything it does.”

Briefly discuss the five primary activities played by the AIS in a company’s value chain, with suitable examples.

(04 Marks)

(Total Marks 14)

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**Question 02**

A. "To develop an accounting theory, several approaches need to be followed."

(I). Define Accounting Theory.

(02 Marks)

(II). Discuss the deductive and inductive approaches in formulating Accounting Theory.

(04 Marks)

B.

(I). Describe the main features of the 'ethical approach' and 'behavioral approach' in relation to Accounting Theory.

(03 Marks)

(II). "The objective of Positive Accounting Theory (PAT) is to explain and predict accounting practice."

Outline the purposes of PAT.

(02 Marks)

C. Briefly discuss the differences between normative and positive accounting theory.

(03 Marks)

(Total Marks 14)

**Question 03**

A.

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

Considering the above statement, outline the purposes of a conceptual framework.

(02 Marks)

(II). Briefly discuss the fundamental qualitative characteristics of financial information in the conceptual framework for the preparation and presentation of the financial statements.

(04 Marks)

B.

- (I). "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 steps of the International Accounting Standards setting process.

(04 Marks)

- (II). Discuss the need for Accounting Standards.

(02 Marks)

- C. "In recent years there has been increasing discussions about Sustainable Development (SD), Triple Bottom Line (TBL), and Sustainability Reporting."

Relating to the above statement, list out the benefits of TBL reporting in Accounting.

(02 Marks)

(Total Marks 14)

#### Question 04

A.

- (I). "Traditional financial reporting practices are not terribly useful for reporting Corporate Social Responsibility (CSR) information."

Do you agree with this statement? Justify your answer

(03 Marks)

- (II). "Human Resource Accounting (HRA) provides useful information to the management, financial analysts and employees of any organization."

Concentrating on the above statement, and discuss the importance of HRA.

(03 Marks)

B.

- (I). "An entity's human components are undoubtedly the most indispensable resources, but they cannot be considered as assets."

Do you agree with the above statement? Give reasons to justify your answer.

(03 Marks)

- (II). Outline the limitations of Human Resource Accounting.

(02 Marks)



C. "Environmental Accounting may be defined as the process of generating environment-related information which may be gainfully used to improve environmental decision making"

Briefly explain the forms of Environmental Accounting.

(03 Marks)

(Total Marks 14)

**Question 05**

A.

(I). "Value relevance research is predominantly significant to investors, accounting practitioners, regulators, and other interested parties who make use of accounting information for investment decisions."

Focusing on the above statement, define the value relevance of accounting information

(02 Marks)

(II). Define 'efficient market hypothesis' and identify the three forms of efficient market.

(03 Marks)

B.

(I). Briefly explain the differences between systematic risk and unsystematic risk with suitable examples.

(03 Marks)

(II). "Forensic accountants are trained to look beyond the numbers and deal with the business reality of a situation."

Discuss Forensic Accounting focusing on its key areas.

(03 Marks)

C. "Disregard the size of the business, every business has to focus on the new trends in accounting for the survival in the industry."

Explain the positive results of concentrating on accounting trends in the modern business world, with suitable examples

(03 Marks)

(Total Marks 14)

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