

UNIVERSITY OF ESWATINI
FACULTY OF COMMERCE
DEPARTMENT OF ACCOUNTING AND FINANCE
MAIN EXAMINATION PAPER OCTOBER 2021

TITLE OF PAPER : ACCOUNTING THEORY AND PRACTICE

COURSE CODE : AC 515 (O) OCTOBER 2021

TOTAL MARKS : 100 MARKS

TIME ALLOWED : THREE (3) HOURS

- INSTRUCTIONS**
- 1 There are four (4) questions, answer all.**
 - 2 Begin the solution to each question on a new page.**
 - 3 The marks awarded for a question are indicated at the end of each question.**
 - 4 Show the necessary working.**

Note: You are reminded that in assessing your work, account will be taken of accuracy of the language and general quality of expression, together with layout and presentation of your answer.

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Question 1

Accounting is often described as the language of business, and although this definition lacks preciseness, it does imply that accounting is closely associated with an interpretation of the economic structure. Since so much of the practice of law is related to the industrial and financial aspect of society, it would seem that a clearer understanding of accounting should constitute a part of a lawyer's background.

In order to grasp this aspect of financial reporting, there is no need to be concerned with the mechanics of neither book-keeping nor other recordkeeping techniques. Neither is it necessary to be concerned with the usefulness of accounting as a management control device in the day-today operations of a business. What is important, however, is an understanding of the nature of the items appearing on the financial statements: How are these accounts developed? What is their relationship to each other? What are the underlying postulates of accounting which give rise to these statements?

For example, what is net income? It is not simply the excess of cash received over cash expended. Revenue may be earned without an accompanying receipt of cash just as expenses may be incurred without a concurrent expenditure of cash. What then are the concepts which determine when revenue has been earned and when expenses have been incurred? With reference to the balance sheet, many (but unfortunately not all) readers of this statement recognize that asset values do not necessarily reflect current market prices. If such is not the case, what do these assets reflect?

Jack J. Kempner

Required:

- a. List and explain four postulates or concepts of accounting that give rise to the financial statements. (8marks)
- b. Why is law regarded important in understanding the accounting profession? (2marks)
- c. With a clear diagram, describe five qualitative characteristics of financial information. (15 marks)

Question 2

The concept of 'Social Accounting' has gained importance as a result of high level industrialization which has brought prosperity as well as many problems to the society. It has necessitated the corporate sector, with huge amounts of funds at their disposal, to invest substantial amounts in social activities so as to nullify the adverse effects of industrialization.

Required:

- a. Define the term 'social accounting' and explain any five features of social accounting. (10 marks)
- b. Discuss any five benefits that would accrue to corporate entities as a result of engaging in corporate social responsibilities. (15 marks)

Question 3

- a. The needs of users of accounting information determine the objectives of an accounting information system. Explain any five groups of people who might have vested interests in not-for-profit organization in your community. (10 marks)
- b. The normative theory of financial reporting relevant to bargaining between employers and employees and their representative ought to be based on criteria suggested by the Accounting Standard Board's Statement of Principles. Describe the most relevant information that pay bargains depends on. (15 marks)

Question 4

"IFRS is the only way to improve financial information and avoid drift"

Required:

Discuss the above statement giving advantages and disadvantages of adopting the international accounting standards IFRS in a developing country. (25 marks)
