



FINAL EXAMINATION
NOVEMBER 2023

COURSE TITLE	ACCOUNTING THEORY AND PRACTICE
COURSE CODE	AACT4123
DATE/DAY	15 FEBRUARY 2024 / THURSDAY
TIME/DURATION	09:00 AM - 12:00 PM / 03 Hour(s) 00 Minute(s)

INSTRUCTIONS TO CANDIDATES :

1. Please read the instruction under each section carefully.
2. Candidates are reminded not to bring into examination hall/room any form of written materials or electronic gadget except for stationery that is permitted by the Invigilator.
3. Students who are caught breaching the Examination Rules and Regulation will be charged with an academic dishonesty and if found guilty of the offence, the maximum penalty is expulsion from the University.

(This Question Paper consists of 3 Printed Pages including front page)

There are FOUR (4) questions in this question paper. Answer ALL questions in the answer booklet provided. (80 marks)

QUESTION 1 (20 marks)

Integrated Reporting <IR> brings together material information about an organisation's strategy, governance, performance and prospects in a way that reflects the commercial, social and environmental context within which it operates. It leads to a clear and concise articulation of your value creation story which is useful and relevant to all stakeholders. Aside from reporting, Integrated Reporting also encompasses Integrated Thinking. It is as much about how companies do business and how they create value over the short, medium and long term, as it is about how this value story is reported.

There are a multitude of benefits associated with Integrated Reporting, both within an organisation and from an external perspective. For one, it encourages your organisation to think in an integrated way and forms a clearer strategy and business model. It also provides a single, clear and concise report that is easy to access. Risks and opportunities can be better identified through Integrated Reporting, as well.

Moreover, Integrated Reporting helps to create value for stakeholders through identification and measurement of non-financial factors. It is also essential in linking non-financial performance more directly to the business. In addition, it improves internal processes which eventually leads to a better understanding of the business and an improved decision-making process.

You are required:

- (a) What are the 6 capitals (or resources) identified in the <IR> Framework? Give an example of how each type can be created. (12 marks)
- (b) What are the seven guiding principles which should underpin an integrated report? (8 marks)

QUESTION 2 (20 marks)

Accounting ethics are important to accountants, as they has access to the financial information of individuals and entities. Such power involves the potential and possibilities for abuse of information or manipulation of numbers to enhance company perceptions or enforce earnings management. An accountant has to strictly uphold 5 fundamental principles of accountants ethical behavior, namely integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

You are required to briefly explain each of the fundamental principles.

QUESTION 3

(20 marks)

Earnings management is the use of accounting techniques to produce financial reports that present an overly positive view of a company's business activities and financial position.

Provide brief answers for the following:

- (a) What are the incentives for managers and CEOs to undertake earnings management? (10 marks)
- (b) Discuss **TWO (2)** impacts of earnings management. (4 marks)
- (c) Describe **THREE (3)** approaches to earnings management. (6 marks)

QUESTION 4

(20 marks)

Companies of all sizes engage in some form of financial reporting, whether for compliance with outside regulatory agencies or industry custom, or for internal management decision-making. Large public companies must comply with stringent financial reporting obligations issued by the ISAB; private firms might have financial reporting obligations to lenders or owners; and even small firms must do some degree of financial reporting when they prepare their tax filings.

Financial reporting is a continual process, with periodic deliverables throughout the fiscal year. Annual financial reporting happens at the end of a company's fiscal year, while interim financial reporting covers periods less than one year, typically months or quarters.

You are required:

- (a) Identify the 6 potential users of financial reporting and the purpose of financial reporting for such users. (12 marks)
- (b) Explain the 6 qualitative characteristics in preparing the financial reporting. (8 marks)

***** END OF QUESTION PAPER *****