



# **SOUTH EASTERN KENYA UNIVERSITY**

## **UNIVERSITY EXAMINATIONS 2017/2018**

### **SECOND SEMESTER EXAMINATION FOR THE DEGREE OF BACHELOR OF COMMERCE**

#### **DAC 414: CONTEMPORARY ISSUES IN FINANCIAL ACCOUNTING**

**DATE: 16<sup>TH</sup> APRIL, 2018**

**TIME: 10.30-12.30PM**

#### **INSTRUCTIONS**

#### **QUESTION ONE**

- a) David, an internal auditor for HHG Online booksellers had been investigating a case of embezzlement fraud for nearly two months. After searching personnel and company records, visiting former employees, employing invigilation tactics and finally interviewing with several coworkers, David concluded that James Flemming head of the shipping and receiving department was involved in a large kickback scheme, costing the company hundreds of thousands of dollars. Finally, with evidence in hand, David met with Flemming, presented his evidence and steered Flemming to confess that he was indeed the perpetrator.
- i) Was the order of events in which David conducted his investigation in accordance with appropriate theft Act investigative methods? Explain.(5 marks)
- ii) When investigating a case of fraud, why is it important to work inward toward the prime suspect, saving a confronting interview until the end of the investigation? (5 marks)
- iii) Explain five factors that should be considered when deciding whether or not investigate a case of fraud. (5 marks)
- b) How do the following help detect fraud
- i) Accounting symptoms
- ii) Analytical symptoms
- iii) Internal control weaknesses
- iv) Tips and complaints (4 marks)
- c) Discuss six different ways in which a company can eliminate opportunities of fraud. (6 marks)
- d) What is fraud triangle and why is it important (5 marks)

## QUESTION TWO

- a) Differentiate between regulated and unregulated accounting information market (8 marks)
- b) Using suitable examples briefly explain the doctrine of 'market failures'. (6 marks)
- c) State briefly the arguments in favour of unregulated accounting information market.(6 marks)

## QUESTION THREE

- (a) Explain the main steps undertaken by IASB in the process of setting accounting standards. (10 marks)
- (b) Discuss particular issues that may arise in developing an accounting standard for agricultural produce and specify how they could be dealt with in order to achieve the desired results.(10 marks)

## QUESTION FOUR

You have been asked to prepare a brief and concise and brief paper on conceptual framework for financial reporting purposes. The paper is intended to orient financial reporting practices towards the needs of users.

- a) Explain the main steps, which you should undertake in developing a conceptual framework for financial reporting. (10 marks)
- b) Write concise notes on the objectives of income measurement, which you may recommend to the standards setting committee in improving the existing financial reporting practices. (10 marks)

## QUESTION FIVE

- a) The elements of financial statements are normally carried in the balance sheet and income statements at some predetermined monetary amount. Discuss the most common bases an enterprise may adopt in preparing their financial statements. (5 marks)
- b) The 'concept of capital maintenance' is primarily concerned with how an enterprise defines the capital that it seeks to maintain. (5 marks)
- c) Explain clearly the concepts of financial capital maintenance and physical capital maintenance. (5 marks)
- d) How is profit earned under each of the two concepts above? (5 marks)