CONFIDENTIAL

UNIVERSITI KUALA LUMPUR
BUSINESS SCHOOL

FINAL EXAMINATION
OCTOBER 2024 SEMESTER

COURSE CODE	:	EAB30903
COURSE NAME	:	ACCOUNTING THEORY AND PRACTICES
PROGRAMME NAME	:	BACHELOR OF BUSINESS ADMINISTRATION (HONS)
DATE	:	8 FEBRUARY 2025
TIME	:	2.00 PM – 5.00 PM
DURATION	:	3 HOURS

INSTRUCTIONS TO CANDIDATES

1. **Please CAREFULLY read the instructions given in the question paper.**
2. **This question paper has information printed on both sides of the paper.**
3. This question paper consists of **FOUR (4) Questions**.
4. Answer **ALL** questions.
5. Please write your answers on the answer booklet provided.
6. All questions must be answered in **English** (any other language is not allowed).
7. **This question paper must not be removed from the examination hall.**

THERE ARE FOUR (4) PAGES OF QUESTIONS, EXCLUDING THIS PAGE.

(Total: 100 marks)

INSTRUCTION: Answer ALL questions.
Please use the answer booklet provided

Question 1

(a) Discuss **FIVE (5)** reasons why leading corporations might have the incentives to engage in creative accounting.

(10 marks)

(b) Creative accounting has been a perennial problem, particularly in today's business environment, where there is an increasing level of separation between ownership and management. This situation has exerted pressure on the accounting profession, as it puts their credibility at stake.

Suggest **FIVE (5)** ways how the profession can safeguard its image and uphold the responsibility entrusted to it in communicating information that reflects the true and fair view of companies.

(10 marks)

(c) It has been suggested that if an accountant is asked by the board of directors, "What is the profit earned for the period?" he or she could easily reply, "What figure do you have in mind?". Such a reply reflects the existence of creative accounting in practice.

In light of this, explain any **FIVE (5)** incentives for public listed corporations to engage in practices that lead to an overstatement and understatement of their periodic revenue and profits.

(5 marks)

[25 marks]

Question 2

(a) Numerous countries have adopted IASB accounting standards. In Malaysia, we have the Malaysian Accounting Standards Board (MASB), was established under the Financial Reporting Act 1997 and serves as an independent authority on accounting and financial reporting standards in the country. The members of the board comprise all relevant parties involved in the standard-setting process.

Required:

i. Explain **FOUR (4)** benefits of a common set of high-quality global accounting standards.

(8 marks)

ii. Discuss whether high-quality global accounting standards and a strong audit profession will lead to uniform high-quality financial reporting across countries.

(8 marks)

(b) Malaysian Private Entities Standard (MPERS) refer to private entities as outlined by the Companies Act 2016. These small and medium-sized entities (SMEs) or companies are not required to prepare or lodge financial statements based on the requirements set by the Malaysian Securities Commission or Bank Negara Malaysia. Although the implementation of MPERS is vital for preparing SMEs for globalization, there are challenges in adopting the standards.

Required:

Discuss **THREE (3)** challenges that private entities might face in implementing MPERS.

(9 marks)

[25 marks]

Question 3

An increasing number of firms are adopting sustainability reporting and publicly issuing the appropriate report publicly. This indicates that firms are starting to acknowledge the environmental and social aspects of their operations in addition to economic issues. To date, many of these reports have been little more than public relations exercises, featuring selective content and inadequate continuity of performance indicators over time. While the existence of reporting does signal an increased awareness of triple bottom line issues, it is important that these reports continue to improve and become more meaningful and useful.

Required:

(a) Explain what sustainability reporting is and how does sustainability reporting relates to social accounting.

(10 marks)

(b) Discuss with example(s) why companies issue sustainability reports.

(8 marks)

(c) Describe the advantages companies perceive in obtaining assurance for sustainability reports.

(7 marks)

[25 marks]

Question 4

International Financial Reporting Standards (IFRSs) are principle-based standards applicable to accounting and reporting for entities, regardless of industries. However, it is a challenge to address the specific accounting requirements of Islamic transactions in Islamic Financial Institutions (IFIs) that utilize various Shariah contracts.

Required:

(a) Identify **THREE (3)** Islamic financial transactions that are unique to Islamic Financial Institutions (IFIs).

(3 marks)

(b) Explain **FIVE (5)** initiatives taken by the Malaysia Accounting Standard Board (MASB) and Bank Negara Malaysia to complement the inadequacies of IFRS in catering for the Islamic financial transactions identified in (a).

(10 marks)

(c) Describe **THREE (3)** purposes of Islamic Accounting.

(6 marks)

(d) Discuss why IFRSs are unable to address for the specific accounting and reporting needs of the Islamic financial transactions identified in (a).

(6 marks)

[25 marks]

END OF EXAMINATION PAPER