



**UNIVERSITI KUALA LUMPUR  
BUSINESS SCHOOL**

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**FINAL EXAMINATION  
MARCH 2025 SEMESTER**

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|-----------------------|------------------------------------------|
| <b>COURSE CODE</b>    | <b>: EAB30903</b>                        |
| <b>COURSE NAME</b>    | <b>: ACCOUNTING THEORY AND PRACTICES</b> |
| <b>PROGRAMME NAME</b> | <b>: BACHELOR IN ACCOUNTING (HONS)</b>   |
| <b>DATE</b>           | <b>: 21 JUNE 2025</b>                    |
| <b>TIME</b>           | <b>: 9.00 AM – 12.00 PM</b>              |
| <b>DURATION</b>       | <b>: 3 HOURS</b>                         |

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**INSTRUCTIONS TO CANDIDATES**

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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.
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**THERE ARE FIVE (5) PAGES OF QUESTIONS, EXCLUDING THIS PAGE.**

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(Total: 100 marks)

**INSTRUCTION: Answer ALL questions.**

**Please use the answer booklet provided**

**Question 1**

The Commission has long focused on cases involving corporate and financial fraud. While other cases, such as insider trading or large market manipulations, are often sensational and can garner significant attention, accounting fraud cases typically are not. Yet the failure to have proper internal controls, the failure to properly follow accounting standards, can cause significant harm to investors and disruption in the market. That is the situation with a case recently filed by the Commission, *SEC v. iFresh, Inc.*, Civil Action No. 1:22-cv-3200 (E.D.N.Y. Filed May 31, 2022).

Named as defendants in this case are: iFresh, Inc., an Asian grocer operating stores in four states and had shares listed on the NASDAQ until late 2021 when they were delisted; now the stock is quoted on the OTC Expert Market. Long Deng, also a defendant, was the Chairman of iFresh's board of directors until April 2022. He was also the firm's CEO and COO through at least April 2022.

The complaint is built on self-dealing which shrouded the true financial condition of the firm from August 2016, when the firm's initial registration statement was filed, through the fiscal year ending March 31, 2020. From inception Defendant Deng was responsible for the firm's operations and financial information. He also controlled the firm's financial transactions.

No transactions involving iFresh and its affiliate were properly disclosed in the firm's financial statements. Yet in 2016, 2017, 2018, 2019 and 2020 transactions involving iFresh and an affiliate represented from 18% to 54% of the grocery firm's accounts receivables. All of those transactions were related party transactions. All of those transactions should have been fully disclosed under the accounting standards. None were disclosed.

During the period 2016 through 2020 investors were not told that iFresh's finances were heavily dependent on Mr. Deng's brother. Thus, investors were not told that over \$12 million in payments were owed to a company by Mr. Deng's brother.

During the period not only did Mr. Deng control the financial records, the firm did not have adequate internal controls and those which relate to the identification of related party transactions. As a result, the Defendants violated Securities Act Section 17(a) and Exchange Act Sections 10(b), 13(a), 13(b)(2)(A) and 13(b)(2)(B). The case is pending. See Lit. Rel. No. 23404 (June 1, 2022)

Source: Lexology, June 2022

**Required:**

- (a) According to the case above, determine why the accounting misconducts by iFresh Inc. falls into accounting fraudulent category.  
(5 marks)
- (b) Provide **FOUR (4)** reasons why it is difficult to differentiate between fraudulent accounting practice with income smoothing and/or earnings management.  
(10 marks)
- (c) Identify **FOUR (4)** incentives for managers to manage the earnings.  
(10 marks)  
**[25 marks]**

**Question 2**

Islamic accounting can be defined as the “accounting process” which provides appropriate information (not necessarily limited to financial data) to stakeholders of an entity which will enable them to ensure that the entity is continuously operating within the bounds of the Islamic Shari’ah and delivering on its socioeconomic objectives. Islamic accounting is also a tool, which enables Muslims to evaluate their own accountabilities to God (in respect of inter-human/environmental transactions)

**Required:**

- (a) Describe **THREE (3)** purposes of Islamic Accounting.  
(6 marks)
  - (b) Discuss **FOUR (4)** factors that contribute towards the need for Islamic Accounting.  
(10 marks)
  - (c) Explain **THREE (3)** implications of Islamic economics for Islamic accounting.  
(9 marks)
- [25 marks]**

**Question 3**

Recently, the CEO of Kaya Bhd, Encik Abdul has written an email to the Financial Controller, Encik Rahman regarding issue of financial reporting. An extract of the email is as follow:

Dear Rahman,

I am very worry as to whether traditional financial reporting, and its concentration on the economic 'bottom line', is sufficient to address the information requirements of our users.

I believe that our competitors are beginning to address this issue before we do. Pressure is mounting for companies to widen their scope for corporate public accountability beyond the suppliers of capital.

Can you do me a memo which outlines how we can begin to report information beyond the traditional MFRS based financial statements?

Regards,

*Abdul*

**Required:**

- (a) Discuss **FOUR (4)** limitations of traditional financial reporting in the context of reporting the social and environmental impacts of corporate activity to users of financial statements in relation to the above email.

(10 marks)

- (b) Explain **FIVE (5)** users would be interested in the sustainability reports.

(15 marks)

**[25 marks]**

**Question 4**

Both Financial Accounting Standards Board (FASB) in the USA and International Accounting Standards (IASB) have developed and adopted conceptual frameworks for external financial reporting. These bodies now use the frameworks as a basis of setting new accounting standards and amending the current ones.

**Required:**

- (a) In your opinion, do conceptual frameworks can be considered as positive theory?  
(1 mark)
- (b) Explain your answer in (a) by giving reasonable justifications.  
(4 marks)
- (c) Describe **FOUR (4)** advantages of conceptual framework to IASB, accounting standard setters and all stakeholders.  
(10 marks)
- (d) Explain **FOUR (4)** enhancing qualitative characteristics of useful financial information.  
(10 marks)  
**[25 marks]**

**END OF EXAMINATION PAPER**