CONFIDENTIAL

UNIVERSITI KUALA LUMPUR
BUSINESS SCHOOL

FINAL EXAMINATION
MARCH 2026 SEMESTER

COURSE CODE	:	EAB30903
COURSE NAME	:	ACCOUNTING THEORY AND PRACTICES
PROGRAMME NAME	:	BACHELOR IN ACCOUNTING (HONS)
DATE	:	29 JUNE 2026
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) Agency theory suggests that managers can be motivated to act in the best interests of owners or shareholders by linking managerial compensation to performance measures, such as net income or share price. However, such linkage exposes managers to additional risk.

Required

i. Explain **THREE (3)** reasons to control the risk by the managers.

(6 marks)

ii. Explain **TWO (2)** ways on how company can reduce compensation risk.

(6 marks)

(b) Many managerial compensation packages place restrictions on when managers can sell shares given as part of their pay. For example, some packages state that restricted shares may be forfeited if the manager does not remain with the company for a specified number of years after the shares are granted.

Required:

Discuss the justification behind such restrictions.

(6 marks)

(c) Shares and stock options are included in managerial compensation to motivate managers to pursue policies that support the firm's long-term interests instead of short-term results.

Required:

Discuss **TWO (2)** justifications on why basing managerial compensation may impose excessive risk.

(7 marks)

[25 marks]

Question 2

(a) Since 2005, financial reporting standards issued by the International Accounting Standards Board have been widely applied as the basis of financial reporting in many countries.

Required:

i. In your opinion, discuss whether it is a good idea for a country like Australia, New Zealand, Singapore or Malaysia to effectively allow its financial reporting standards to be developed by a standard-setting body in another country.

(12 marks)

ii. Briefly explain whether it makes sense to have one set of financial reporting guidance for all countries that is, to have a 'one-size-fits-all' approach to financial reporting.

(4 marks)

iii. Briefly explain **TWO (2)** of the advantages and disadvantages that arise when a country adopts the financial reporting standards issued by the IASB.

(4 marks)

(b) Explain why we need to know about the concept of 'creative accounting'.

(5 marks)

[25 marks]

Question 3

(a) Digital technology has been transforming industries and business models across the globe. In the professional accountancy context, advances in digital technology (i.e., Industry 4.0) are likely to affect the profession in several ways. First, digital transformation enables smarter and more efficient accounting processes. Second, it enhances the quality of companies' reporting and disclosure standards. Finally, it leads to new forms of regulation in corporate reporting. The shift towards digital accounting reporting suggests that accountants will increasingly use these technologies to improve traditional ways of working in the field.

Required:

i. Explain the importance of digitalization in financial reporting.

(5 marks)

ii. Discuss **THREE (3)** roles of accountants in digital financial reporting practices.

(6 marks)

(b) Extensible Business Reporting Language (XBRL) is an open-standard language for business reporting based on eXtensible Markup Language (XML). It enables efficient data exchange between different information systems and is widely accepted as an international standard for digital reporting.

Required:

i. Discuss **FOUR (4)** benefits of Extensible Business Reporting Language (XBRL).

(8 marks)

ii. Describe **THREE (3)** challenges in implementing XBRL as an external reporting mechanism.

(6 marks)

[25 marks]

Question 4

(a) Islamic accounting can be defined as a process that provides relevant information, not limited to financial data, to stakeholders of an entity. This information enables stakeholders to ensure that the entity operates in accordance with Islamic Shari'ah principles while achieving its socioeconomic objectives. It also serves as a tool for Muslims to assess their accountability to God, particularly in relation to their dealings with others and the environment. However, it can be argued that unless there is a fundamental change in the way businesses operate, the relevance and necessity of Islamic accounting remain uncertain.

Required:

i. Describe **THREE (3)** criticisms of conventional accounting.

(6 marks)

ii. List **THREE (3)** possible barriers to the incorporation of Islamic values into conventional accounting.

(3 marks)

(b) The main differences between Islamic and conventional accounting should be identified, followed by justifications for the inclusion of the term "Islamic" in accounting. A prima facie case for Islamic accounting should also be presented. Finally, an important distinction must be made between accounting for Islamic banks and Islamic accounting, as these two concepts are often mistakenly regarded as synonymous.

Required:

Discuss **EIGHT (8)** factors that contribute towards the need for Islamic Accounting, highlighting the relationship between these factors.

(16 marks)

[25 marks]

END OF EXAMINATION PAPER