

**UNIVERSITY OF COLOMBO, SRI LANKA**

**FACULTY OF MANAGEMENT AND FINANCE**

Bachelor of Business Administration (Level II – Semester VII) Examination - July 2018

**ACT/INB 2206 – International Accounting**

**Two (02) Hours**

**Answer Any Four Questions including Question One**

---

1. i. Briefly explain the following two (02) accounting values **and** critically analyze how those values link with national cultural dimensions (or societal values).
  - a. Professionalism in accounting
  - b. Uniformity in accounting

(12 Marks)
- ii. “Sri Lanka is a country where professionalism in accounting is vastly emphasized”. Do you agree with this statement? Explain.

(05 Marks)
- iii. Accounting information users can be identified as insiders and outsiders upon the legal system of a country. Define “insiders” and “outsiders” with examples.

(06 Marks)
- iv. Differentiate capital market systems and credit based financial institutional systems.

(08 Marks)
- v. The way countries develop accounting regulations are not the same. Using accounting practices from any three (03) countries, elaborate on the statement.

(09 Marks)

**(Total 40 marks)**

2. i. "Multinational companies can bear the risks of ventures with large size and financial strength more than domestic companies". Briefly comment on this statement.

(04 marks)

ii. Explain how subsidiary companies in a multinational corporation can mutually use transfer pricing to minimize global taxes.

(08 Marks)

iii. "Even though transfer pricing schemes are designed to minimize global taxes, it distorts the multinational control system". Explain.

(08 Marks)

**(Total 20 marks)**

3. i. List five (05) main areas focused on by the International Federation of Accountants (IFAC) on the globalization of the accounting profession.

(05 Marks)

ii. Explain how "accounting harmonization" differs from "accounting standardization".

(06 Marks)

ii. Explain any three (03) barriers on accounting harmonization.

(09 Marks)

**(Total 20 marks)**

4. i. Explain why public disclosure is well developed in the United States, the United Kingdom and other Anglo-American countries.

(06 Marks)

ii. Briefly explain the twin objectives of investor oriented markets.

(06 Marks)

iii. Dallas (2014) introduced a framework for understanding corporate governance mechanisms in individual countries. Outline the four (04) pillars of this framework with its sub components.

(08 Marks)

**(Total 20 marks)**

5. i. Identify any **two (02) sources** of audit standards in **each** country given below.

- a. United Kingdom
- b. Germany

(04 Marks)

ii. The need of international financial statement analysis has emerged recently due to many reasons. Explain.

(08 Marks)

ii. Ratio analysis will not be very effective for international financial statement analysis when there are substantial cross country differences in accounting practices. Discuss with examples.

(08 marks)

**(Total 20 marks)**

6. Briefly explain the following.

- a. Independent discipline approach
- b. World class organizations
- c. Regional harmonization of accounting
- d. Transfer pricing as window dressing

(05 marks each x 4 = 20 marks)

**(Total 20 marks)**

---