



UNIVERSITY OF COLOMBO, SRI LANKA
FACULTY OF MANAGEMENT AND FINANCE

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

ACT 2302– Financial Reporting and Regulations

Three (03) Hours

Answer Only Five (05) Questions

Use of Calculators is Allowed

1.

- i. “International Financial Reporting Standards (IFRSs) are a set of accounting standards developed by the International Accounting Standards Board (IASB) that is becoming the global standard for preparation of public company financial statements”
- a. List down two (02) differences between International Accounting Standards and (IASs) and International Financial Reporting Standards (IFRSs).
(02 Marks)
- b. Describe the importance of adoption of IFRS for a country emphasizing its benefits to individual, national and international levels.
(08 Marks)
- c. Explain the challenges in implementation of IFRSs across the world.
(05 Marks)
- ii. Ramya (Pvt) Ltd constructed factory building on 1 January 2016 amounted to Rs. 20 Mn. On 31 March 2017 they decided to sell the asset as they have purchased a new factory building nearby and the management is committed to do so within a year. At the time of planning to sell the asset, market value of the factory stood up to Rs. 16Mn and expected dismantling costs were amounted to Rs. 1Mn.

The company depreciates its building at a rate of 5% p.a and Property Plant and Equipment are valued using Cost Model.

The Company’s financial year ends on 31 December.

You are required to,

- a. show the extracts of the Statements of Financial Position as at 31 December 2016 and 31 December 2017,

(02 Marks)

- b. show the extracts of the Statements of Comprehensive Income for the years ending 2016 and 2017.

(03 Marks)

(Total 20 marks)

2.

“SLFRS 13 defines fair value on the basis of an 'exit price' concept and uses a 'fair value hierarchy', which results in a market-based, rather than entity-specific measurement”

- i. Define 'Fair Value' as per SLFRS 13.

(02 Marks)

- ii. Briefly explain the valuation approaches introduced by SLFRS 13.

(05 Marks)

- iii. Illustrate the hierarchy of inputs for the above valuation techniques.

(05 Marks)

- iv. Identify three (03) general disclosures required by SLFRS 13, which are to be disclosed at the end of the reporting period.

(03 Marks)

- v. Specify the most suitable valuation approach to each of below assets:

- a. Rubber trees in a rubber estate
- b. Building used for renting out purpose
- c. Factory building owned and used for manufacturing process
- d. Treasury bonds purchased by the company
- e. Accounting software used by the company

(05 Marks)

(Total 20 marks)

3.

“In Historical Cost Accounting it assumes money holds a constant purchasing power which is a less valued argument in current context”

- i. Evaluate different developments of accounting which accounts for changing prices by emphasizing the pros and cons of each theory.

(15 Marks)

- ii. Leisure Limited has following assets and liabilities at the beginning of the FY 2016.

During the year, inflation rate was 20%.

Prepare the adjusted Statement of Financial Position as at 31 December 2016 and determine the holding gain for the year under Current Purchasing Power Accounting.

Category	Rs.
Land & Building	50,000
Furniture	20,000
Investments in Treasury bonds	5,000
Trade receivable	15,000
Bank	10,000
Borrowings	65,000
Trade payable	5,000
Accruals	10,000
Equity	20,000

(05 Marks)

(Total 20 marks)

4.

- i. With an appropriate example, discuss how an organization seeks to gain legitimacy by means of its reporting practices.

(08 Marks)

- ii. Explain the concept of a “social contract” and how an organization addresses societal demands through its activities.

(06 Marks)

- iii. Explain how reporting practices of an organization help mitigate the Agency conflict.

(06 Marks)

(Total 20 marks)

5.

- i. “Provisions of sections 148-171 of the Company Act No.07, 2007 provide regulatory framework for financial reporting and auditing practices of public companies”.

Briefly discuss the provisions of section 148 and section 149 of the Company Act No.07, 2007 providing regulatory requirements with respect to financial reporting of public companies.

(10 Marks)

- ii. “Integrated reporting is mainly provides information on value creation process”.

Discuss above statement with the support of integrated reporting framework.

(10 Marks)

(Total 20 marks)

6.

- i. “Corporate Governance is a dynamic process and is continually evolving and it has no boundaries or limits”.

Discuss this statement emphasizing role of corporate governance as a mechanism to run the business effectively with the support of code of best practices on corporate governance and other committee recommendations on corporate governance.

(12 Marks)

- ii. Discuss different approaches which have been made an attempt to assign monetary value to Human Resources since it has been identified as the most important and valuable asset to any business organization.

(08 Marks)

(Total 20 marks)

7.

- i. “According to Accounting Ethics, the accountant’s role is to furnish information to stakeholders those who have a legitimate right to know about economic affairs of an organization. But at present, some accountants do not properly undertake their role as what society expect”.

Discuss this statement explaining fundamental principles of accounting ethics, ethical issue in accounting, reasons for fraudulent financial reporting (FFR) and code of conduct for accounting.

(15 Marks)

- ii. “Fraudulent financial reporting takes place in the context of earnings management”.

Briefly discuss earnings management strategies.

(05 Marks)

(Total 20 marks)
