

UNIVERSITY OF COLOMBO, SRI LANKA

FACULTY OF MANAGEMENT AND FINANCE

Bachelor of Business Administration Honours in Accounting (Semester VI) Examination –
December, 2021

ACT 3212 - Financial Reporting and Regulations

Two (02) Hours

This Paper Consists of **Five (05)** Questions Printed in **Four (04)** Pages

Answer **any Four (04)** Questions

This is an Open Book Examination

Use of Calculators is Permitted

1. i. As the group accountant of the diversified sector quoted public company in Sri Lanka, you are asked to explain your mandatory and voluntary obligations with respect to the preparation and presentation of annual financial statements.

(15 Marks)

ii. Discuss the role of financial reporting in maintaining better corporate governance.

(10 Marks)

(Total 25 marks)

2. i. Leco PLC invested in 25,000 ordinary shares of Omega PLC at Rs. 82 per share on 01.10.2020. Transaction cost was Rs.36,000. The market price of a share as at 31.03.2021 was Rs. 85. The company decided to recognize any gain/loss on fair value change through other comprehensive income.

Using the above information, you are required prepare;

- a. Investment in ordinary share account
- b. Extracts of the Statement of Profit or Loss, the Statement of Other Comprehensive Income and the Statement of Financial Position

(06 Marks)

- ii. Sigma PLC invested in 1,200 debentures of Roland PLC at Rs.750 per each on 01.04.2019. Transaction cost is Rs.22,000. The market price of a debenture as at 31.03.2020 was Rs.790. The debentures will be matured on 31.03.2022. Company will hold these debentures till the maturity. The coupon interest rate is 12% p.a. and effective interest rate is 14% p.a.

Using the above information you are required to prepare;

- a. Investment in debenture account
- b. Extracts of the Statement of Profit or Loss and Other Comprehensive Income and the Statement of Financial Position for the years ended 2020, 2021 and 2022.

(08 Marks)

- iii. The following information has been summarised from Deco PLC. related to the employees benefit obligation plan for the year ended 31.03.2021.

	31.03.2020 ('000)	31.03.2021 ('000)
Present value of defined benefit obligation	Rs. 2,750	Rs. 3,402
Fair value of defined benefit plan asset	Rs. 2,170	Rs. 2,694

A change in a condition of the Defined Benefit Plan (DBP) resulted in a 12% increase in the present value of the Defined Benefit Obligation (DBO) on 01.04.2020. During the year ending on 31.03.2021, the Defined Benefit Plan Asset (DBPA) received contributions from the company amounted to Rs. 730,000 and paid Rs. 530,000 to employees who retired from the company. The increase in the present value of DBO arising from the employees' service in the current period is Rs. 420,000. The applicable discount rate is 11% p.a.

Using the above information, you are required to prepare;

Extract of the Statement of Profit or Loss for the year ended 31.03.2021 and the Statement of Financial Position as at 31.03.2021 (note: show your workings clearly).

(11 Marks)

(Total 25 marks)

3. i. Discuss the prevailing legal framework and monitoring process to ensure quality and accuracy of financial statements of corporate entities in Sri Lanka.

(08 Marks)

ii. Discuss the role of Sri Lanka Accounting and Auditing Standards Monitoring Board (SLAASMB) to improve and regulate financial reporting practices of Specified Business Enterprises (SBEs) in Sri Lanka.

(08 Marks)

iii. Briefly explain the following terms;

- a. Derivative Financial Instruments
- b. Call Option and Put Option
- c. Compound Financial Instruments

(09 Marks)

(Total 25 marks)

4. i. Explain the reasons for the change in corporate reporting practices over the past few decades.

(08 Marks)

ii. Discuss the extent to which the concepts of coercive isomorphism, mimetic isomorphism and normative isomorphism could be used to explain voluntary corporate reporting practices.

(10 Marks)

iii. How do you think that information could be used to manage an organisation's relationships with its powerful stakeholders.

(07 Marks)

(Total 25 marks)

5. i. Discuss the importance of Integrated Reporting (IR) as a new corporate reporting framework.

(10 Marks)

ii. Discuss the role of IR framework issued by the International Integrated Reporting Council (IIRC) in assisting corporates in their preparation of integrated reports.

(09 Marks)

iii. Describe the possible causes for international differences in accounting.

(06 Marks)

(Total 25 marks)
