



UNIVERSITY OF COLOMBO, SRI LANKA

FACULTY OF MANAGEMENT AND FINANCE

Bachelor of Business Administration (Level II – Semester VII) Examination - July 2017

ACT/ INB 2206 – International Accounting

Two (02) Hours

Answer Any Four Questions including Question One

1. i. Culture encompasses values and attitudes shared by a society. The culture of the country in which it operates impacts its accounting system. “Hofstede (1980) identified four national cultural dimensions (or societal values) and Gray (1988) proposed a framework linking culture and accounting”.

The following scenarios about the cultural aspects are relevant to country Alpha.

Scenario 1

People are expected to take care and stand up highly on themselves rather than are integrated into cohesive groups, extended families or organizations.

Scenario 2

Persons in the society are commonly treated equally and attempt to secure more equal rights.

Scenario 3

People tend to prefer a more relaxed atmosphere and let events occur rather than attempt to control the future.

Scenario 4

Gender roles are vastly differentiated, hence performance and visible achievements are emphasized rather than relationships.

- a) State four (04) possible cultural dimensions for each of the **scenarios 1 to 4** above in country Alpha.
(04 Marks)
- b) Critically analyze how the cultural dimensions of country Alpha above could be linked with its accounting values.
(12 Marks)
- ii. A legal system of a country determines how individuals and institutions interact with each other. Hence two major types of legal systems applied on accounting principles are termed as common law and code law. Differentiate these two (02) laws with examples on how they impact on a country's accounting practices.
(07 Marks)
- iii. Explain three (03) types of globally used sources of finance with examples.
(09 Marks)
- iv. Mueller in the mid - 1960s, identified four (04) approaches to accounting development in Western nations with market-oriented economic systems. Briefly explain **any two (02)** of them with examples.
(08 Marks)
(Total 40 marks)
2. i. Identify the way countries develop accounting regulations **and** what are the determining factors as to who establishes accounting regulations in a country?
(05 Marks)
- ii. Discuss how accounting regulations could differ among countries. Provide examples to illustrate your answer.
(15 Marks)
(Total 20 marks)

3. i. Explain how multinational corporations use transfer pricing to minimize taxes?
(06 Marks)
- ii. Can a multinational corporation use transfer pricing to minimize taxes without any constraint? Justify your answer.
(04 Marks)
- iii. Explain how multinational corporations use transfer pricing for “Window-dressing”?
(04 Marks)
- iv. Is the practice of transfer pricing between subsidiaries always favorable? Elaborate your answer.
(06 Marks)
(Total 20 marks)
4. i. Explain why financial statement users need an understanding of non-domestic financial statements?
(04 Marks)
- ii. A useful framework for international business strategy analysis and valuation is provided by Palepu, Bernard and Healy (1996). List the framework’s four (04) stages of analysis.
(04 Marks)
- iii. “Cross country variations in accounting measurement quality, disclosure quality and audit quality are major issues in international financial statement analysis”. Elaborate on this statement with practical examples.
(06 Marks)
- iv. International ratio analysis provides insight into the competitive and relative significance of financial statement items. However, substantial cross country differences can be identified in profitability and leverage due to both accounting and non-accounting factors. Discuss with examples.
(06 Marks)
(Total 20 marks)

5. i. Public disclosure is highly developed in the United States, the United Kingdom, and other Anglo-American countries whereas it is less developed in other countries such as France, Germany, and Japan. Give reasons for such differences.

(06 Marks)

ii. Frost and Lang (1996) discussed twin objectives of investor-oriented markets. Briefly explain these two (02) objectives.

(04 Marks)

iii. Dallas (2004) provides a framework for understanding and assessing corporate governance mechanisms that exist in individual countries. Outline components of the framework with any two (02) sub components from each.

(04 Marks)

iv. Due to different factors, auditing practices vary among countries. Briefly recognize any three (03) differences in the audit environment, audit independence and requirements for public listed companies.

(06 Marks)

(Total 20 marks)

6. i. "Achieving accounting harmonization is more possible than achieving accounting standardization among countries". Comment on this statement.

(03 Marks)

ii. Briefly explain three (03) levels of accounting harmonization.

(05 Marks)

iii. Examine the efforts of institutions towards accounting harmonization using any two (02) international organizations.

(06 Marks)

iv. "Even though a country attempts accounting harmonization, due to its own barriers, harmonization efforts become unsuccessful". Elaborate on the statement.

(06 Marks)

(Total 20 marks)