

Eastern University, Sri Lanka
Faculty of Commerce and Management

Third Year Second Semester Examination in Bachelor of Commerce
(Specialization in Accounting and Finance) 2015/2016 (July 2018)

(Proper/Repeat)

DAF 3092 Accounting Standards

Answer all questions

Time: Two Hours

a) Other comprehensive income comprises items of income and expense (including reclassification adjustments) that are not recognized in profit or loss as required or permitted by other SLFRSs. State the components to be included in the Other Comprehensive Income statement of an entity.

(05 Marks)

b) What are the circumstances in which an entity shall classify an asset as a current asset?

(05 Marks)

c) State four examples for costs that shall be excluded from the cost of inventories and recognized as expenses in the period in which they are incurred.

(05 Marks)

d) Distinguish between the terms "Net Realizable Value" and "Fair Value" in relation to inventory valuation.

(05 Marks)

(Total 20 Marks)

a) Cash flows from operating activities are primarily derived from the principal revenue-producing activities of the entity. List out seven examples of cash flows from operating activities to be reported in a cash flow statement of an entity.

(05 Marks)

b) Investing and financing transactions that do not require the use of cash or cash equivalents shall be excluded from a statement of cash flows. State five examples of such transactions and how they shall be disclosed in the financial statement.

(05 Marks)

(c) What are the circumstances in which an entity shall change an accounting policy?

(05 Marks)

(d) What are the Prospective applications of a change in accounting policy and of recognizing the effect of a change in an accounting estimate respectively?

(05 Marks)

(Total 20 Marks)

03. (a) Explain with examples the adjusting events after the reporting period that require an entity to adjust the amounts recognized in its financial statements, or to recognize items that were not previously recognized.

(05 Marks)

(b) What is the accounting treatment prescribed by the LKAS 10 for dividends declared to the holders of equity instruments after the reporting period but before the financial statements are authorized for issue?

(05 Marks)

(c) Explain the elements of cost of an item of property, plant and equipment in accordance with LKAS 16.

(05 Marks)

(d) List out at least five items to be disclosed in the financial statement of an entity regarding the each class of property, plant and equipment.

(05 Marks)

(Total 20 Marks)

04. (a) Distinguish among "Finance Lease", "Operating Lease", and "Non-Cancellable Lease".

(05 Marks)

(b) Explain how lessees shall recognize finance lease at the commencement of the lease term in the financial statement.

(05 Marks)

- c) Explain the terms "Borrowing Cost" and "Qualifying Asset" giving examples.
(05 Marks)
- d) An entity shall begin capitalizing borrowing costs as part of the cost of a qualifying asset on the commencement date. What are the three conditions that the entity should first meet to set the commencement date for capitalization?
(05 Marks)
- (Total 20 Marks)

(a) Explain the meaning of potential ordinary shares, stating examples.

(05 Marks)

(b) Differentiate the terms "Dilution" and "Antidilution"

(05 Marks)

(c) Capital Structure and Earnings for Year 2017 of GTS plc are as follows:

Number of ordinary shares outstanding on 01.01.2017	5,000,000
Number of new ordinary shares issued on 01.04.2017	1,000,000
Number of new ordinary shares issued on 01.10.2017	2,000,000
Number of 13% Convertible debentures of Rs.100 each	100,000
Number of 10% Convertible Preference shares of Rs.20 each	50,000
Ordinary Shares of issuable on conversion per debenture	10
Ordinary Shares of issuable on conversion per preference share	2
Interest for the year	Rs. 1,300,000
Net income After Tax for Year 2017	Rs.20,000,000
Tax relating to interest	20%

Required:

Calculate the following:

- (a) Basic Earnings Per Share
(b) Diluted Earnings Per Share

(10 Marks)

(Total 20 Marks)