



Answer all questions

Time: Two Hours

1. (a) What are the objectives of the Institute of Chartered Accountants of Sri Lanka (ICASL) in the setting of accounting standards?  
(05 Marks)
  - (b) What are the functions of International Accounting Standards Board (IASB)?  
(05 Marks)
  - (c) Write the Structure and Process of the organization setting IFRS  
(05 Marks)
  - (d) What are the Qualitative Characteristics of Accounting Information?  
(05 Marks)
  - (e) Explain the Major needs of users of financial statements.  
(05 Marks)
- (Total 25 Marks)**
2. Sri Lanka Accounting Standard LKAS 1 provides details on presentation of Financial Statements of an entity. The Standard prescribes the basis for presentation of general purpose financial statements to ensure comparability both with the entity's financial statements of previous periods and with the financial statements of other entities. Answer the following questions.
    1. Briefly discuss the objective of financial statements.  
(05 Marks)
    2. List the complete set of financial statements as required in the LKAS 1.  
(05 Marks)
    3. LKAS 1 states that, at the minimum, the comprehensive income statement must include line items. Give any six examples for line items?  
(05 Marks)

4. Other comprehensive income comprises items of income and expenses that are not recognized in profit or loss as required. List three items that can be included in the other comprehensive income.

(05 Marks)

5. What are the major needs of users of financial statements?

(05 Marks)

(Total 25 Marks)

03. (a) Explain the objective of LKAS-16 Property, Plant & Equipment.

(05 Marks)

(b) A company bought a Motor vehicle for Rs.110,000 and residual value is Rs.10,000. Its expected life time is 5 years starting from 1/4/2012. This vehicle was revalued for Rs.90,000 as at 1/4/2014.

Calculate the revaluation surplus or deficit and the depreciation for the year ended 31/3/2015.

(05 Marks)

(c) Explain the following terms in accordance with LKAS 2.

i. Inventories

iii. Fair value

ii. Net realizable value

iv. Cost of Inventories

(05 Marks)

(d) What do you understand by the term "Borrowing Cost" and distinguish between the Benchmark Treatment and Alternative Treatment for borrowing cost as per LKAS 23?.

(05 Marks)

(e) Distinguish between "Change in Accounting Policies" and "Change in Accounting Estimate" as per LKAS 08.

(05 Marks)

(Total 25 Marks)

04. (a) A company has the following balances:

- Rs. 500,000 in 10% cumulative irredeemable preference shares of Rs. 1
- Rs. 1,000,000 in ordinary shares of Rs. 0.25 = 4,000,000 shares.
- Income taxes are 30%.

On 1 April 2015, the company issued convertible bonds for cash. Assuming the conversion was fully subscribed there would be an increase of 1,550,000 ordinary shares in issue.

The liability element of the bonds is Rs. 1,250,000 and the effective interest rate is 8%, resulting in an annual gross interest charge of Rs. 100,000.

Trading results for the years ended 31 December were as follows:

	2015	2014
Profit before interest and tax	1,100,000	991,818
Interest on convertible bonds	(100,000)	(75,000)
Profit before tax	1,000,000	916,818
Income tax	(300,000)	(275,045)
<b>Profit after tax</b>	<b>700,000</b>	<b>641,773</b>

Calculation of basic and diluted EPS for years ended 31 December 2014 and 2015.

**(15 Marks)**

(b) Explain how leases are classified in according to LKAS 17.

**(05 Marks)**

(c) Explain the term "Non-adjusting events after the reporting period" in relation to LKAS 10.

**(05 Marks)**

**(Total 25 Marks)**