

11 OCT 2014

Eastern University, Sri Lanka

Faculty of Commerce and Management

Third Year Second Semester Examination in Bachelor of Commerce

(Specialization in Accounting and Finance) 2011/2012 (September 2014)

(Proper/Repeat)

DAF 3092 Accounting Standards

Answer all questions

Time: Two Hours

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01. (a) According to LKAS 01, what does a complete set of financial statements of an entity comprise of?
(05 Marks)
- (b) What are the two alternative statements by which an entity shall present all items of income and expense recognized in a period?
(05 Marks)
- (c) List out five circumstances that would give rise to the separate disclosure of items of income and expense.
(05 Marks)
- (d) What are the four circumstances where an entity shall classify an asset as current?
(05 Marks)
(Total 20 Marks)
02. (a) According to LKAS 02, describe with examples all the components of the cost of inventories.
(05 Marks)
- (b) List out five examples of cash flows from operating activities according to LKAS 07.
(05 Marks)
- (c) What are the conditions that LKAS 08 stipulates to allow an entity to change an accounting policy?
(05 Marks)
- (d) What is meant by "Accounting Estimates"? Give five examples of them.
(05 Marks)
(Total 20 Marks)

03. (a) How does the LKAS 10 define the term "Events after the reporting period"?
(05 Marks)
- (b) Give five examples of non-adjusting events after the reporting period that would generally result in disclosure.
(05 Marks)
- (c) What are the conditions that the LKAS 16 requires an entity to satisfy for recognizing the cost of an item of property, plant and equipment as an asset?
(05 Marks)
- (d) State any five disclosure items of property, plant and equipment in the financial statement of an entity.
(05 Marks)

(Total 20 Marks)

04. (a) According to LKAS 17, explain how leases are classified.
(05 Marks)
- (b) According to LKAS 23, explain the meaning of (i) Borrowing Cost, and (ii) Qualifying Assets.
(05 Marks)
- (c) How should an entity recognize the borrowing cost in the financial statement?
(05 Marks)
- (d) State the conditions where the control of parent may exist on subsidiaries as stated in the LKAS 27.
(05 Marks)

(Total 20 Marks)

05. (a) How is the Basic Earnings Per Share of an entity measured ?

(05 Marks)

(b) What do you understand by the terms "Dilution" and "Antidilution"

(05 Marks)

(c) Capital Structure and Earnings for Year 2013 of PSN plc are as follows:

Number of ordinary shares outstanding on 01.01.2013	5,000,000
Number of new ordinary shares issued on 01.04.2013	1,000,000
Number of 12% Convertible debentures of Rs.100 each	100,000
Ordinary Shares of issuable on conversion per debenture	10
Interest for the year	1,200,000
Net income for Year 2013	Rs.20,000,000
Tax relating to interest (30%)	Rs.360,000

Required:

Calculate the following:

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

(10 Marks)

(Total 20 Marks)