

Eastern University, Sri Lanka
Faculty of Commerce and Management
Third Year Second Semester Examination in Bachelor of Commerce
(Specialization in Accounting and Finance) 2016/2017 (July 2019)
(Proper/Repeat)
DAF 3092 Accounting Standards

Answer all questions

Time: Two Hours

- a) Briefly explain the General Features of Financial Statements.
(05 Marks)
- b) Distinguish among the terms "Profit or Loss", "Other Comprehensive Income", and "Total Comprehensive Income".
(05 Marks)
- c) State five line items that a statement of financial position shall include as a minimum.
(05 Marks)
- d) Distinguish between the terms "Net Realizable Value" and "Fair Value" in relation to inventory valuation.
(05 Marks)
(Total 20 Marks)
- a) List out five items regarding inventories to be disclosed in the financial statements.
(05 Marks)
- b) State five examples of Investing and financing transactions that do not require the use of cash or cash equivalents and not to be included in the statement of cash flows.
(05 Marks)
- c) Some cash flow items shall be reported on a "net basis" in the cash flow Statement. Explain.
(05 Marks)
- d) State five examples of items that may require estimates to be recognized in the financial statements.
(05 Marks)
(Total 20 Marks)

03. (a) Explain how an entity shall correct material prior period errors in the statements.

(b) Distinguish between "Adjusting events and Non-Adjusting events after period".

(c) Explain the elements of cost of an item of property, plant and equipment.

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

04. (a) Distinguish between "Finance Lease" and "Operating Lease".

(b) What are the items that Lessees shall disclose for finance leases in meeting the requirements of SLFRS 7 Financial Instruments: Disclosure

(c) State three items that shall be included in "Borrowing Cost" for an entity. Give five examples for "Qualifying Asset".

(d) Explain how an entity shall recognize borrowing costs in the financial statements?

Explain the numerators and the denominators of "Basic Earnings Per Share" and the "Diluted Earnings Per Share".

(08 Marks)

Capital Structure and Earnings for Year 2018 of SDU plc are as follows:

Number of ordinary shares outstanding on 01.01.2018	5,000,000
Number of new ordinary shares issued on 01.04.2018	1,000,000
Number of new ordinary shares issued on 30.09.2018	2,000,000
Number of 15% Convertible debentures of Rs.100 each	100,000
Number of 10% Convertible Preference shares of Rs.100 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.1,500,000
Net income After Tax for Year 2018	Rs.20,000,000
Tax relating to interest	20%

Required:

Calculate the following:

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

(12 Marks)

(Total 20 Marks)