UNIVERSITY OF RUHUNA

FACULTY OF MANAGEMENT & FINANCE

No. of Pages: 03

No. of Questions: 05

Total Marks: 70

ACC 2210– **Accounting Theory and Practice**

BACHELOR OF BUSINESS ADMINISTRATION DEGREE 2000 LEVEL

END SEMESTER EXAMINATION (SEMESTER II) – March 2019

Three Hours

Instructions:

> **Answer All Questions.**

01.

i) Compare and contrast the normative accounting theory and positive accounting theory.

(Marks 5)

ii) Conceptual framework projects identify number of qualitative characteristics that financial information should possess if it is to be useful in economic decision making. Two such attributes are neutrality and faithful representation.

Do you believe that financial information can be neutral and faithful representation? Explain your answer with appropriate examples.

(Marks 10)

(Total Marks 15)

02.

i) What are the holding gains, and how are holding gains treated if current cost accounting is applied?

(Marks 4)

ii) Explain with appropriate examples how do you differentiate realized holding gains from unrealized holding gains?

(Marks 6)

iii) Critically evaluate the main strengths and weaknesses in historical cost accounting?

(Marks 5)

(Total Marks 15)

03.

   i) Briefly explain the process of calculation of purchasing power loss or gain.

                                    (Marks

   ii) What is the accounting treatment for purchasing power loss or gain?

                                (Marks

   iii) The statements of Financial Position of the Shigera Company on 1st January 2018 and 3

       December 2018 are as follows

	01- 01-2018	31-12-2018
	Rs.'000	Rs.'000
Current Assets		
Cash	20,000	150,000
Stocks	40,000	60,000
Trade Debtors	30,000	40,000
Bank balance	18,000	12,000
Prepaid expenses	6,000	-
Non-current Assets		
Land	100,000	120,000
Plant and Equipment	80,000	80,000
Furniture	50,000	75,000
Current Liabilities		
Trade creditors	20,000	22,000
Tax Liability	24,000	18,000
Dividend	-	16,000
Non Current Liability		
Bank Loan	100,000	80,000
Net Assets	200,000	401,000
Equity	200,000	401,000

You are required to prepare the statement to identify the change in Monetary Assets.

                                      (Marks 7)

                             (Total Marks 15)

04.

   i) Explain in

   ii) What is th

   iii) What are
       accounti

05.

   i) Explain
      environ

   ii) Give a

04.

i) Explain in brief the accounting Standards setting process in Sri Lanka.

(Marks 8)

ii) What is the role of accounting standards in the process of generating financial statement?

(Marks 4)

iii) What are the advantages and disadvantages of accounting standards in the preparation of accounting statements?

(Marks 3)

(Total Marks 15)

05.

i) Explain why, currently, financial accountants pay their attention on social and environmental accounting more than ever. Explain with appropriate examples.

(Marks 6)

ii) Give a brief introduction to 'Triple Bottom Line Reporting'.

(Marks 4)

(Total Marks 10)

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