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SARDAR PATEL UNIVERSITY

B.Com. (Hons.) (IA) (CBCS) Examination-2016

SEMESTER-VI

6th April, 2016, Wednesday

10:30 a.m. to 12:30 p.m.

International Accounting (UB06ECOM13)

Total Marks: 60

Q-1[a] Define International Accounting. State the importance of international accounting in recent years. Also discuss difficulties in international accounting. **[08]**

[b] Write a note on World Scenario with reference to IA Education. **[07]**

OR

Q-1 Describe the scope of IA in detail explaining financial, management and social aspects. **[15]**

Q-2[a] The following balance sheet relates to ABC Ltd of France, an Indian subsidiary, as on 31.03.2005 **[09]**

Liabilities	franc	Assets	franc
Accounts payable	38000	Cash	14000
Short term loans	70000	Receivables	28000
Fixed deposits	40000	Inventories(at market value)	110000
Bonds	112000		
Reserves	40000	Land and building	120000
Equity capital	100000	Plant and machinery	128000
Total	**400000**	**Total**	**400000**

If the historical rate and current rate of franc 1 is Rs. 9.50 and Rs. 10.00 respectively, translate the above balance sheet into Indian rupees using monetary/non- monetary and temporal approach (of multiple rate approach) to translation.

[b] What is Foreign Currency Translation? What are the needs for foreign currency translation? Briefly explain the accounting issues involved in it. **[06]**

OR

Q-2[a] ET India Ltd. Purchased goods amounting to 2,500 £ from Max Ltd. Of UK on 25th January, 2005 on a six months term. The exchange rate of 1 £ as on 25th January, 2005, 31st March, 2005 and 25th July, 2005 was Rs. 65.15, Rs. 65.95 and Rs. 66.25 respectively. **[09]**

If ET Ltd. closes the books of account on 31st March every year, how you will record the above transactions in the books of XYZ Ltd. under:

(1)Single Transaction Approach and

(2) Dual Transaction Approach

[b] Explain the provisions as contained in IAS 21 on foreign currency translation as regards treatment of foreign currency translation. **[06]**

Q-3[a] Prepare a consolidated balance sheet under the prorata method from the two balance sheets given below in respect of ABC India Ltd. and its foreign subsidiary XYZ Ltd of Malaysia as on 31-3-13. **[09]**

ABC India Ltd **(Rs.'000)**

Liabilities	Rs.	Assets	Rs.
Equity shares capital	300	Furniture	100
Reserves and surplus	150	Plant and machinery	250
Long Term Loan	50	Investment in XYZ Ld.	108
Creditors	120	(9,000 shares)	
		Debtors	115
		Receivables	47
Total	**620**	**Total**	**620**

XYZ Ltd **(Rs.'000)**

Liabilities	Rs.	Assets	Rs.
Equity shares of Rs. 10 each	120	Plant and machinery	100
Reserves (as on 1.04.2012)	36	Debtors	60
Creditors	24	Receivables	20
Total	**180**	**Total**	**310**

Assume that ABC Ltd. Acquired 9,000 shares of XYZ Ltd. On 1-4-2012 on which the latter had Rs. 16,000 to the credit of its reserves account.

[b] Explain Prorata Method of consolidating financial statements in detail. **[06]**

OR

Q-3[a] The balance sheet of Peter India and its foreign associates Fitter Inc. of Philippines as on 31.03.2010 are as follows: **[09]**

Peter India Ltd

(figures in Rs.'000)

Liabilities	Rs.	Assets	Rs.
Equity shares capital (20,000 shares of Rs. 100 each)	2000	Land and buildings	900
		Plant and machinery	700
		Furniture	300
Reserves and Surplus	500	Vehicles	150
Profits	100	Investment in Fitter Inc.	350
Debentures	200	Receivables	200
Creditors	50	Stock	150
Payables	30	Debtors	150
Outstanding Expenses	20		
Total	**2900**	**Total**	**2900**

Fitter Inc.

(figures in Rs.'000)

Liabilities	Rs.	Assets	Rs.
Equity shares capital (8000 of Rs. 100 each)	800	Land and buildings	450
		Plant and machinery	350
Reserves and surplus	200	Receivables	250
Profits	100	Stock	200
Creditors	150		
Total	**1250**	**Total**	**1250**

You are required to prepare a consolidated balance sheet as it would appear under the One Line Method of consolidation assuming that Peter India acquired 3,000 equity shares of Fitter Inc. on 1.4.2009 when the latter had Rs.1,40,000 to the credit of its reserves account.

[b] Explain the provisions of AS 21 in relation to Consolidation. **[06]**

Q-4[a] What do you mean by Price Level Changes? Also describe the factors causing distortions and its consequences to accounting profit vis-a vis financial statements in detail. **[08]**

[b] Carva Associates has three divisions- X1, X2 and X3. The output of X1 passes through X2 and of X2 passes through X3 for further processing and completion which are then sold at Rs.1,400 per unit. The company reveals that the variable cost per unit for X1, X2 and X3 has been Rs.300, Rs.200 and Rs.100 respectively and the fixed costs for the divisions are in the order of Rs.20,000, Rs.15,000 and Rs.10,000. The variable cost of the product for X1 is Rs.400. if the total output of the company is 1,000 units and if the divisions follow market based transfer pricing with X1 and X2 charging Rs.850 and Rs.1,200 respectively on their transfers, what is the profit earned by the company and its three divisions? **[07]**

OR

Q-4[a] Outline the features of CCA technique. List out its merits and demerits. **[08]**

[b] All other things in the above example remaining unchanged, if the three divisions X1, X2 and X3 of the company bargain and decide that division X1 will charge Rs.835 per unit on its transfers to division X2 and that division X2 will charge Rs.1160 per unit on its transfers to division X3, what will be the division's profit under the changed situation and also the profit of the company? **[07]**

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