

Question Paper Code : 1770

BBA (IB) (Semester-VI) Examination, 2018

INTERNATIONAL ACCOUNTING

[IB-603]

Time : Three Hours]

[Maximum Marks : 70

Note : Answer **five** questions in all including Question **No.1** which is **compulsory**. Besides this, attempt **one** question from each Unit.

1. Write short notes on the following : [3x10=30]
- (a) Techniques of Price Level Adjustments.
 - (b) Monetary working Capital Adjustment.
 - (c) Spot Rate v/s Forward Rate
 - (d) Relative Price Level Change
 - (e) Benefits of Tax Havens
 - (f) Issues in Foreign Currency Translation
 - (g) Steps in Consolidation of Financial Statements under Gross Method.
 - (h) Need for Transfer Pricing.
 - (i) Tax Equity

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(1)

[P.T.O.]

(j) Gearing Adjustment

Unit - I

2. Define International Accounting. Explain it's limitations and importance in the current global business scenario. [10]
3. "Modern accounting as it exists today, is the product of the continuous efforts of different nations". In this context discuss the history of International Accounting and it's current status in India. [10]

Unit - II

4. The income statement of XYZ Ltd. for the year ended 31.03.2018 is as under :

	₹.
Revenue	1,50,00,000
खर्च (अर्द्ध) (अवकाश) (अर्द्ध)	1,00,00,000
अवकाश (अर्द्ध) (अवकाश) :	1,50,00,000
खर्च (अवकाश) (अवकाश)	1,00,00,000
खर्च (अवकाश) (अवकाश)	1,00,00,000
खर्च (अवकाश) (अवकाश)	1,00,00,000
खर्च (अवकाश) (अवकाश)	1,00,00,000

Unit - IV

8. The balance sheet of Show and Co. of Canada an Indian Subsidiary, as on 31.03.2018 is as follows : [10]

Liabilities	C\$Amt.	Assets	C\$ Amt.
Equity Share Capital	20,000	Land & Building	20,000
		Plant	12,000
10% Debentures	24000	Inventory [at Market Value]	16,000
Creditors	16000	Debtors	8000
	<u>60,000</u>	Cash	4000
			<u>60,000</u>

You are required to translate the above balance sheet into Indian Rupees under :

- (a) Single Rate method
- (b) Multiple Rate method

The historical rate of 1 Canadian \$ is Rs.51.50 and current rate is Rs.52.

9. What is meant by Double Taxation of Income ? What is the need for relief against double taxation. Also explain the various methods of relief. [10]

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Other relevant additional information are :

- (a) The price index as on 31.03.2018 was 150.
- (b) Sale was made and expenses incurred when the price index was also 150.
- (c) Inventory was valued on FIFO basis .
- (d) Goods were purchased during the year in three lots of Rs.5,00,000, Rs.4,00,000 and Rs.3,00,000 with the prevailing price index of 120,125 and 132 respectively.
- (e) There was no opening inventory, closing Inventory was valued at Rs.1,80,000.
- (f) The fixed assets were acquired on April 1st 2017 when the general price index was 120.

You are required to prepare an adjusted income statement. [10]

5. The balance sheets of ABC Ltd. of India and PQR Ltd of Sweden as on 31.03.2018 are as follows :

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[P.T.O.]

ABC Ltd.		(Rs.in 000)	
Liabilities	Amt.	Assets	Amt.
Equity Share Capital	300	Plant and Machinery	250
Reserve and Surplus	150	Furniture	100
Long Term Loan	50	Investment in PQR	108
Sundry Creditors	120	Ltd.(9,000 shares)	
		Sundry Debtors	115
		Inventory	47
	620		620

PQR LTD.		(Rs.in 000)	
Liabilities	Amt.	Assets	Amt.
Equity Share Capital	120	Plant and Machinery	100
(Shares of Rs.10 each)		Sundry Debtors	60
Reserves	36	Inventory	20
Creditors	24		
	180		180

Prepare a consolidated balance sheet under the Prorata Method assuming that on 1st April 2010 ABC Ltd. acquired

75% of the shares of PQR Ltd and on which date the Later had Rs.16,000 to the credit of it's reserve account. [10]

Unit - III

- What do you understand by harmonization of accounting practices ? Explain the need and obstacles of harmonizing global financial reporting. [10]
- Alpha Company Ltd manufactures consumer durable products. The company has two divisions - Engineering and Assembly. The output of the engineering division are transferred to the assembly division for further processing. The company records reveal that the variable cost per unit of the product for engineering and assembly are Rs.250 and Rs.300 respectively. The fixed cost of engineering division is Rs.15,000 and that of the assembly division is Rs.10,000. The product variable cost per unit of engineering division is Rs.400 and the total output is 100 units which has a selling price @ Rs. 2,000 per unit. Find out Alpha Ltd's over all profit and the profit of the two divisions if engineering division transfers it's output to assembly division at Cost plus 150%. [10]