

M.Com. HPP (AAA) Semester-4 Examination**CC-20****International Accounting-II****April-2024****[Max. Marks : 70]****Time : 2-30 Hours]**

Q.1 Define International Accounting. Explain characteristics of International Accounting.

(14 Marks)

OR

Q.1 Explain Benefit and challenges of Convergence of Accounting Standards. **(14 Marks)**

Q.2 (A) An Indian company has sold goods to Australian Company on 1/11/2022 for AUS \$ 90,000. As per agreement, 10% amount received on date of sale and remaining amount will be received in three equal monthly instalments. **(7 Marks)**

Accounting year ends on 31st March. Exchanges rates were as under:

| | | |
|-------------------|-----------|--------------------|
| Sales | 1/11/2022 | AUS \$1 = Rs.65.00 |
| First Instalment | 1/12/2022 | AUS \$1 = Rs.66.00 |
| Second Instalment | 1/01/2023 | AUS \$1 = Rs.66.50 |
| Thirds Instalment | 1/02/2023 | AUS \$1 = Rs.68.00 |

Pass necessary Journal Entries regarding these transactions under following approaches.

1. Single Transaction Approach
2. Dual Transaction Approach

Q.2 (B) An Indian Company purchased goods worth \$ 6,00,000 from USA on 1/5/2022. \$1,50,000 was paid at the time of contract. Balance amount was paid as under: **(7 Marks)**

| Date | Amount | Exchange Rate |
|----------|------------|---------------|
| 1/6/2022 | \$2,00,000 | \$1 = 56.50 |
| 1/7/2022 | \$1,50,000 | \$1 = 58.70 |
| 1/8/2022 | \$1,00,000 | \$1 = 57.90 |

Exchange Rate on the date of purchase 1/5/2022 was \$1 = ₹55.80.

Pass necessary Journal Entries in the books of Indian Company.

OR

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Q.2 A Ltd. has its branch in USA. From the following information of head office and branch prepare:

[14Marks]

1. Branch Trial Balance converted in Indian rupees.
2. statement of profit and loss incorporating branch translations for the year ended 31st march, 2023.
3. Balance sheet as at 31st March, 2023 incorporating branch assets and liabilities.

| Particulars | Head Office (Rs.) | Branch (\$.) |
|------------------------|----------------------|--------------|
| Debit Balance : | | |
| Fixed Assets | 200000 | 15000 |
| Debtors | 18000 | 700 |
| Bank Balance | 14000 | 200 |
| Cost of Operation | 180000 | 4000 |
| Branch Account | 570000 | - |
| | 982000 | 19900 |
| Credit Balance : | | |
| Share Capital | 380000 | - |
| Reserve | 180000 | - |
| Revenue from Operation | 360000 | 8000 |
| Creditors | 17000 | 400 |
| Head Office Account | - | 9000 |
| Loan A/c | 45000 | 2500 |
| | 982000 | 19900 |

Exchange Rate :

1/4/2022 – 1\$= Rs.66

31/3/2023- 1\$= Rs.62

Average -1\$= Rs.64

On the date of purchase of fixed assets 1\$= RS.60 loan was acquired by branch on 1/7/2022.

Q.3. following are the Balance Sheets of H Ltd and S Ltd as on 31/3/2023

(14 Marks)

| Particulars | H Ltd (Rs.) | S Ltd (\$) |
|--|----------------|------------|
| I .Equity and Liabilities : | | |
| (1) Shareholders' Funds | | |
| Share Capital (Each share of Rs.10 each and \$10 each) | 2000000 | 7500 |
| General Reserve | 400000 | 2500 |
| Capital Reserve | 80000 | - |
| Profit and loss Account | 240000 | 5000 |

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| | | |
|----------------------------------|----------------|--------------|
| (2) Non- Current Liabilities | | |
| Long term borrowing | 400000 | 10000 |
| (3) Current Liabilities | | |
| Creditors | 240000 | 2500 |
| Outstanding Expenses | 160000 | 2500 |
| Total | 3520000 | 30000 |
| II. Assets : | | |
| (1) Non-Current Assets: | | |
| Investment in S Ltd (600 shares) | 500000 | - |
| Fixed Assets | 1600000 | 15000 |
| Other Investments | 780000 | 7500 |
| (2) Current Assets: | | |
| Stock | 160000 | 4000 |
| Debtors | 300000 | 1000 |
| Bank | 180000 | 2500 |
| Total | 3520000 | 30000 |

Additional Information :

- H Ltd purchased shares of S Ltd. on 1/10/2022. Balance of General Reserve and Profit and Loss Account in the books of S Ltd on 1/10/2022 were \$ 1000 and \$ 2000 respectively.
- Exchange rates are as under :
On 1/4/2022 \$1= Rs62
On 1/10/2022 \$1=Rs.63
On 31/3/2023 \$1=Rs.66
Average \$1=Rs.64

Prepare consolidated Balance sheet of H Ltd as on 31/3/2023.

OR

Q.3 following are the Balance Sheets of H Ltd and S Ltd as on 31/3/2023

(14 Marks)

| Particulars | H Ltd (Rs.) | S Ltd (\$) |
|--|----------------|--------------|
| I.Equity and Liabilities : | | |
| (1) Shareholders' Funds | | |
| Share Capital (Each share of Rs.10 each and \$10 each) | 400000 | 3000 |
| General Reserve | 160000 | 2000 |
| Profit and loss Account | 140000 | 1800 |
| (2) Non- Current Liabilities | | |
| Long term borrowing | 300000 | 2000 |
| (3) Current Liabilities | | |
| Total | 1200000 | 10000 |
| II. Assets : | | |
| (1) Non-Current Assets: | | |
| Investment in S Ltd (180 shares) | 400000 | - |
| Fixed Assets | 440000 | 2800 |
| (2) Current Assets: | | |

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| | | |
|-----------------------|----------------|--------------|
| Stock | 120000 | 3400 |
| Debtors | 80000 | 2200 |
| Cash and Bank Balance | 160000 | 1600 |
| Total | <u>1200000</u> | <u>10000</u> |

Additional Information :

- H Ltd purchased 180 shares of S Ltd. on 1/10/2022. Balance of General Reserve and Profit and Loss Account on 1/10/2022 were \$ 800 and \$ 1000 respectively.
- Exchange rates are as under :
 On 1/4/2022 \$1= Rs100
 On 1/10/2022 \$1=Rs.110
 On 31/3/2023 \$1=Rs.112
 Average \$1=Rs.111

Prepare consolidated Balance sheet of H Ltd.

Q.4 Explain the principle of arms length in detail. **(14 Marks)**

Q.4 What is Double taxation? Explain with reasons of it. **(14 Marks)**

Q.5. MCQ (Any Seven) **(14 Marks)**

- Need of international accounting arise due to _____.
 a. European Union
 b. Multinational Corporation
 c. Global Capital Market
 d. All of these
- _____ have force the practice of International Accounting.
 a. European Union
 b. MNCs
 c. ICAI
 d. (a) and (b) both
- _____ is Global Financial Instrument.
 a. Shares
 b. Debentures
 c. Bonds
 d. ADRs
- IFRS are issued by _____.
 a. IASB
 b. IASC
 c. AICPA
 d. ICAI
- In which year Financial Accounting Standard Board was established ?
 a. 1971
 b. 1972
 c. 1973
 d. 1974
- IFRS are based on _____.

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- a. Rules
 - b. Principles
 - c. (a) and (b) both
 - d. None of these
7. Origin of translation problem is _____.
- a. Bimetallism
 - b. Gold Standard
 - c. Bretton wood system
 - d. Flexible exchange rate
8. Currency translation is useful for
- a. Consolidation of Accounts
 - b. Computation of Gain/loss
 - c. True and fair presentation
 - d. All of the above
9. Under _____ approach, the change in exchange rate is recorded as a separate transaction.
- a. Double transaction
 - b. Single transaction
 - c. Deferral
 - d. All of these
10. When present monetary value of assets is less than future monetary value due to inflation, the difference is recorded as _____.
- a. Holding gain
 - b. Holding loss
 - c. Future gain
 - d. Future loss
11. _____ is not a method of consolidation
- a. Debt consolidation
 - b. Line by line consolidation
 - c. Equity consolidation
 - d. Pro-rata consolidation
12. Which of the following method is not a method of transfer pricing ?
- a. Resale price method
 - b. Price split method
 - c. Cost plus method
 - d. None of the above

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