

INTERNATIONAL ISLAMIC UNIVERSITY CHITTAGONG

Department of Business Administration

MBA Program, Course code: Acc-5506

Mid-term Examination, Summer-2022

Course title: Corporate Financial Accounting

Time: 2 Hours

Full Marks: 30

Answer any **Three** of the following questions.

Q-1	<p>a) What are the regulatory framework in financial accounting and reporting in Bangladesh?</p> <p>b) What would be advantages of international harmonization of accounting standards for investors and potential investors?</p> <p>c) Why a regulatory frame work is necessary?</p> <p>d) How is the stock exchange regulated in Bangladesh?</p>	<p>3</p> <p>3</p> <p>2</p> <p>2</p>									
Q-2	<p>a) Write down the three IAS & IFRS provided by IASB??</p> <p>b) Mention the due process of IASB.</p> <p>c) On 01 September 2021, Boffin Co made an issue at full market price of 10,00,000 ordinary shares. The company's accounting year runs from 1 January to 31 December. Relevant information for 2020 and 2021 is as follows.</p> <table border="1" data-bbox="352 750 1176 862"> <thead> <tr> <th></th> <th>2020</th> <th>2021</th> </tr> </thead> <tbody> <tr> <td>Shares in issue as at 31 December</td> <td>90,00,000</td> <td>80,00,000</td> </tr> <tr> <td>Profits after tax and preference dividend</td> <td>\$34,00,000</td> <td>32,00,000</td> </tr> </tbody> </table> <p>Required: Calculate the EPS for 2020 and the corresponding figure for 2021.</p>		2020	2021	Shares in issue as at 31 December	90,00,000	80,00,000	Profits after tax and preference dividend	\$34,00,000	32,00,000	<p>3</p> <p>3</p> <p>4</p>
	2020	2021									
Shares in issue as at 31 December	90,00,000	80,00,000									
Profits after tax and preference dividend	\$34,00,000	32,00,000									
Q-3	<p>a) Z Co owns a property which has carrying amount at the beginning of 2021 of \$16,00,000. At the year end it has entered in to a contract to sell the property for 19,00,000. The tax rate is 25%. How will this be shown in the financial statements?</p> <p>b) XYZ Co buys equipment for \$100,000 on 1 January 2015 and depreciates it on a straight line basis over its expected useful life of five years. It has no other non-current assets. For tax purposes, the equipment is depreciated at 25% per annum on a straight line basis. Accounting profit before tax for the years 2015 to 2019 is \$30,000 per annum. The tax rate is 30%. Required: Show the calculations of current and deferred tax and profit and loss Account for the years 2015 to 2019.</p> <p>c) In 2017 Eramu Co paid \$150,000 in tax on its profits. In 2018 the company made tax losses of \$50,000. The local tax authority rules allow losses to be carried back to offset against current tax of prior years. The tax rate is 30%. Required: Show the journal entries, tax charge and tax liability for 2018.</p>	<p>2</p> <p>5</p> <p>3</p>									
Q-4	<p>a) Why is the numerator adjusted for convertible bonds when calculating diluted EPS?</p> <p>b) Beximco Limited had a net profit of tk. 55 lac, tk. 90 lac and tk. 90 lac for the year 2017, 2018 and 2019 respectively. On January 1, 2018 the number of shares outstanding was 500, 000. During the year 2018 the company announced a right issues of 2 shares for each 5 outstanding shares @ tk. 10 each the last date of exercise of which was 31st March, 2018. The market value on the last day of quotation with right was tk.16. Required: Calculate EPS for 2017, 2018 and 2019.</p> <p>c) In 2021 Farrah Co had earnings of \$100,000 and 100,000 ordinary \$1 shares. It also had in issue \$50,000 15% convertible loan stock which is convertible in two years time at the rate of 4 ordinary shares for every \$5 of stock. The rate of tax is 30%. Required: Calculate the diluted EPS</p>	<p>2</p> <p>5</p> <p>3</p>									