



**NATIONAL OPEN UNIVERSITY OF NIGERIA**  
**Plot 91 Cadastral Zone Nnamdi Azikiwe Express Way, Jabi-Abuja**  
**FACULTY OF MANAGEMENT SCIENCES**  
**DEPARTMENT OF FINANCIAL STUDIES**  
**2020\_1 EXAMINATION**

**Course Code:** ACC426 **Credit Units:** 3

**Course Title:** INTERNATIONAL ACCOUNTING

**Time Allowed:** 2<sup>1/2</sup>Hrs

- Instruction:**
1. Answer a total of FOUR questions.
  2. Question one is compulsory.
  3. Answer questions one (25marks) and any other three (15marks each)
  4. Your answer must be clearly stated.

**QUESTION 1**

1a. Explain the following terminologies as they relate to foreign business transactions:

- |                         |                            |
|-------------------------|----------------------------|
| i). Closing rate        | ii). Opening rate          |
| iii). Average rate      | iv). Reporting currency    |
| v). Functional currency | vi). Presentation currency |

**6 marks**

1b. According to IAS 21, sections 21 – 22, how should foreign currency transactions be recorded?

**4 marks**

1c. Dangote group of companies formed and registered a foreign subsidiary in Algeria on 1<sup>st</sup> January 2016. The summarized financial statements of the subsidiary for the year ended 31<sup>st</sup> December, 2016 is shown below:

Statement of Profit or Loss and Other Comprehensive income for the year ended 31<sup>st</sup> December, 2016.

	Dinar
Sales revenue	57,200
Cost of sales	<u>30,320</u>
Gross profit	26,880
Expenses	<u>18,100</u>
Net profit	<u>18,780</u>

Statement of Financial Position as at 31<sup>st</sup> December, 2016.

	Dinar
Assets	<u>102,400</u>
Share capital (issued 1/1/16)	50,000
Retained earnings	<u>18,780</u>
	68,780
Liabilities	<u>33,620</u>
	<u>102,400</u>

Exchange rates area as follows;

January 1, 2016 1 Dinar = ~~N~~1.88

December 31, 2016 1 Dinar = ~~N~~1.84

The average exchange rate for the year to 31<sup>st</sup> December, 2016 was 1 Dinar = ~~N~~1.86

**Required**

Translate the financial statements for the year in accordance with the requirements of IAS21.

**15 Marks**

**Total 25 marks**

**QUESTION 2**

2a). State and briefly discuss five factors that influence the development of international accounting. **10 marks**

**2b).** Comment on the statement that International Accounting Standards (IAS) is superior to International Financial Reporting Standards (IFRS). **5 marks**

**Total 15 marks**

**QUESTION 3**

A country can adapt or adopt International Financial Reporting Standards.

3a). what is the difference between adaptation and adoption? **2 marks**

Nigeria adopted IFRS in the year 2011 while some countries have not even adopted up till now.

3b). State the benefits the Nigeria stands to derive from this adoption? **7 marks**

3c). State the tax implications of this adoption as it concerns Property, Plant and Equipment (PPE). **6 marks**

**Total 15 marks**

#### **QUESTION4**

4a) What do you understand by harmonization of accounting standards?

**3 marks**

4b). Give 6 reasons why you think it is necessary to harmonize accounting practices in different countries of the world. **6 marks**

4c What are the responsibilities of IFRS Foundation? **6 marks**

**Total 15 marks**

#### **QUESTION 5**

5a) What qualifies an entity to be called a multinational company? **5 marks**

Multinational corporations are expected to prepare consolidated financial statements of the parent and the subsidiaries in foreign countries.

5b). Briefly discuss the problems encountered by these companies as they prepare the consolidated financial statements. **10 marks**

**Total 15 marks**

#### **QUESTION 6**

Analysis of financial statements of Multinational companies is as important as its preparation.

6a). What objectives does the analysis aim to achieve? **3 marks**

6b) State and explain 3 techniques that can be adopted for multinational companies' financial statement analysis.

**6 marks**

6c) What are the benefits of performance evaluation carried out by Multinational corporations?

**6 marks**

**Total 15 marks.**