

| | | | | | | | | | | | | | | | | | | | |
|---------|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|
| Roll No | | | | | | | | | | | | | | | | | | | |
|---------|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|



**PRESIDENCY UNIVERSITY
BENGALURU**

**SCHOOL OF COMMERCE
MID TERM EXAMINATION - NOV 2023**

Semester : Semester V - 2021

Course Code : COM2014

Course Name : Sem V - COM2014 - International Accounting

Program : BCM

Date : 3-NOV-2023

Time : 2:00PM - 3:30PM

Max Marks : 50

Weightage : 25%

Instructions:

- (i) Read all questions carefully and answer accordingly.
- (ii) Question paper consists of 3 parts.
- (iii) Scientific and non-programmable calculator are permitted.
- (iv) Do not write any information on the question paper other than Roll Number.

PART A

ANSWER ALL THE QUESTIONS

(5 X 2 = 10M)

1. If a country's business financing comes from families, banks and the government. What should we expect in terms of information disclosure to the public ?
(CO1) [Knowledge]
2. "The accounting regulatory system in India is controlled by multiple regulators". Discuss the role of different regulators in this regard.
(CO2) [Knowledge]
3. "Some knowledge of international accounting may be necessary for a company even if it is not a multinational." Do you agree with this statement? If so, explain your position
(CO1) [Knowledge]
4. Identify several internal and external reporting issues that arise when business and investments transcend national borders.
(CO2) [Knowledge]
5. Discuss the factors that have contributed to the development of international accounting. Which of these factors, in your opinion, can be considered as the most influential and why?
(CO2) [Knowledge]

PART B

ANSWER ALL THE QUESTIONS

(2 X 10 = 20M)

6. International accounting is product of the complex interaction of social, economic and institutional factors within and between countries, such as:
 - a) the type of capital market
 - b) the type of reporting
 - c) the type of business entities
 - d) the type of legal systems
 - e) existence of a conceptual framework

Questions: 1. How according to your type of capital market and reporting regime influenced diversity in international accounting?

2. How type of business entities and the type of legal system would cause complexity in accounting?
3. How non-existence of a conceptual framework and poor quality of accounting education would shape accounting development in a country?

(CO2) [Comprehension]

7. Countries that rely on capital markets for finance, as opposed to banks and governments, are likely to expect greater levels of public disclosure in their accounting systems. Evaluate this argument and provide examples.

(CO2) [Comprehension]

PART C

ANSWER THE FOLLOWING QUESTION

(1 X 20 = 20M)

8. When the former World Bank economist Bingu wa Mutharika became the president of the East African nation of Malawi in 2004, it seemed to be the beginning of a new age for one of the world's poorest countries. In landlocked Malawi, most of the population subsists on less than a dollar a day. Mutharika was their champion. He introduced a subsidy program for fertilizer to help poor farmers and gave them seeds. Agricultural output expanded, and the economy boomed, growing by 7% per year between 2005 and 2010. International donors loved him, and aid money started to pour in from the United Kingdom and the United States. By 2011, foreign aid was accounting for more than half of Malawi's annual budget.

In 2009, to no one's surprise, Mutharika was re-elected president. Then things started to fall apart. Mutharika became increasingly dictatorial. He pushed aside the country's central bankers and ministers to take full control of economic policy. He called himself "Economist in Chief". Critics at home were harassed and jailed. Independent newspapers were threatened. When a cable from the British ambassador describing Mutharika as "autocratic and intolerant of criticism" was leaked, he expelled the British ambassador. Britain responded by freezing aid worth \$550 million over four years. When police in mid-2011 killed 20 anti-government protestors, other aid donors withdrew their support, including most significantly the United States. Mutharika told the donors they could go to hell. To compound matters, tobacco sales, which usually accounted for 60% of foreign currency revenues, plunged on diminishing international demand and the decreasing quality of the local product, which had been hurt by a persistent drought.

By late 2011, Malawi was experiencing a full-blown foreign currency crisis. The international Monetary Fund urged Mutharika to devalue the kwacha, Malawi's currency, to spur tobacco and tea exports. The kwacha was pegged to the U.S. dollar at 170 kwacha to the dollar. The IMF wanted Malawi to adopt an exchange rate of 280 kwacha to the dollar, which was close to the black market exchange rate. Mutharika refused, arguing that this would cause price inflation and hurt Malawi's poor. He also refused to meet with an IMF delegation, saying that the delegates were "too junior". The IMF put a \$79 million loan program it had with Malawi on hold, further exacerbating the foreign currency crisis. Malawi was in a tailspin.

In early April 2012, Mutharika had a massive heart attack. He was rushed to the hospital in the capital Lilongwe, but ironically, the medicines that he needed were out of stock-the hospital lacked the foreign currency to buy them! Mutharika died. Despite considerable opposition from Mutharika supporters who wanted his brother to succeed him. Joyce Banda, the vice president, was sworn in as president. Although no one has stated this publicly, it seems clear that intense diplomatic pressure from the United Kingdom and United States persuaded Mutharika's supporters to relent. Once in power, Banda announced that Malawi would revalue the kwacha by 40%. For its part, the IMF unblocked its loan program, while foreign donors, including the UK and U.S. stated that they would resume their programs.

Questions

1. What were the causes of Malawi's currency troubles?
2. Why did Mutharika resist IMF calls for currency devaluation? If he had lived and remained in power, what do you think would have happened to the economy of Malawi assuming that he did not change his position?
3. Now that Malawi's currency has been devalued, what do you think the economic consequences will be? Is this good for the economy?

(CO1) [Application]