UNIVERSITY OF KELANIYA – SRI LANKA

Centre for Distance and Continuing Education

FACULTY OF COMMERCE & MANAGEMENT STUDIES

Bachelor of Commerce (Special) Degree First Year Examination (External) – 2014

June/ July 2019

BCOM E1035 – Financial Accounting

No. of questions: Five (05) **Time: 03 hours**

Answer all questions

Question No. 01

Gamini Enterprise is producing a variety of commodities which sells those commodities to wholesale customers only from its Head office (H.O). At the same time the Head office transfers commodities to its branch at factory cost plus 25%. The branch then sells these commodities to the general public on only cash basis.

The selling price to wholesale customers is designed to give a factory profit which amounts to 25% of the sales value. The selling price to general public is designed to give a gross margin (i.e., selling price less cost of goods from H.O.) of 15% of the sales value.

The following Trial Balance has been extracted from the books of the Gamini Enterprise as on 31st March, 2019

	Head Office		**Branch**	
	Dr	**Cr**	**Dr**	**Cr**
Purchase - Raw Materials	275,000			
Direct Wages	742,000			
Factory Overheads	195,000			
Stock (01.04.2018)				
Raw Materials	9,000			
Finished goods	65,000		46,000	
Debtors	185,000			
Cash	125,000		5,000	

Administrative salaries	80,000		15,000	
Salesmen's salary	113,000		16,000	
Other Administrative & Selling Overheads	87,000		6,500	
Current Accounts	20,000			5,000
Capital		550,000		
Creditors		61,000		
Provision for Unrealized profit		5,000		
Non-Current Assets - NCA	550,000			
Accumulated Depreciation - NCA		100,000		
Sales		1,400,000		406,000
Goods sent to Branch		330,000		
Goods Received from H.O.			322,500	
	2,446,000	**2,446,000**	**411,000**	**411,000**

Additional Information

1. On 30th March, 2019 the Branch remitted Rs.7,500 to the head office and this has not yet been recorded in the head office. books. Also on the same date the head office dispatched goods to the Branch invoiced at Rs.7,500 and this has not been entered into the branch books.
2. The stock of raw materials held at the head office on 31st March, 2019 was valued at Rs.11,500.
3. Non-current assets are to be depreciated at the rate of 10% per annum based on the straight line method. There had been no purchase or sale of fixed assets during the year.
4. Branch employees are entitled to a bonus of Rs. 15,000 under bilateral agreement

You are required to prepare, in columnar form Statement of Financial Position for the year ended 31st March 2019 and the combined Statement of Financial Position as at 31st March 2019 for,

a). The head office
b). The branch and
c). The business as a whole

(Total 30 Marks)

Question No. 02

Imadu, Tharindu and Chamindu are in partnership sharing profit in the proportion of ½, 1/3 & 1/6 respectively. They dissolved the partnership on the December 31, 2018, when the Statement of Financial Position of the firm was as follows:

		Amount (Rs)		Amount (Rs)
Capital – Imadu	517,500		Property and Plant	517,500
Tharindu	431,250			
Chamindu	316,250	1,265,000		
Tharindu's Loan – (5% interest)		230,000	Machinery	276,000
Bills Payable		143,750	Investment	241,500
Creditors		172,500	Stock	227,125
			Debtors	333,500
			Bank	215,625
		1,811,250		**1,811,250**

The machinery was taken over by Tharindu for Rs.258,750, Imadu took over the investment for Rs.230,000 and property and plant took over by Chamidu at Rs.546,250. One year interest is to be provided on Tharindu's loan.

The remaining assets realized as follows:

Debtors Rs.324,875 and Stock Rs.209,875. Creditors were settled at a discount of 5%. Bills payable is taken over by Chamindu for Rs.132,250. Liabilities amounting to Rs.17,250 which has not been recorded in books of accounts are also to be paid. An office computer, not shown in the books of accounts, realized for Rs.51,750. Realization expenses amounted to Rs.6,900.

You are required to prepare the

a). Realization account

b). Partners' capital account and

c). Bank account, for the process of dissolution of partnership.

(Total 20 Marks)

Question No. 03

Amila (A), Buddhika (B) and Chathura (C) were in partnership sharing profits and losses in the ratio of 2:2:1 respectively. They decided to dissolve their partnership on 31st March 2018 and the statement of financial position at the dissolution was as follows.

Equity and Liabilities		Amount (Rs)	Assets	Amount (Rs)
Capital – A	656,250		Plant and Equipment	437,500
B	525,000			
C	175,000	1,356,250		
Creditors		656,250	Stock	962,500
			Debtors	525,000
			Cash in hand	87,500
		2,012,500		**2,012,500**

The firm was dissolved and the assets were realized gradually; Rs.437,500 were received first, Rs.652,250 second and Rs.393,750 finally.

By using Proportionate Capital Method, You are required to prepare,

a). Realization account
b). Cash book
c). Partners' capital account
d). Statement showing the Calculation of Highest Relative Capital
e). Statement showing the Distribution of Cash

(Total 20 Marks)

Question No. 04

01. Differentiate finance lease from operational lease

(05 Marks)

02. Details of a non-cancellable lease are as follows:

Fair value - Rs. 139,110
Five annual rentals payable in advance - Rs. 31,500
Interest Rate - 6.6236%

You are required to calculate

a). Interest amount from year 1 to 5 separately
b). Current and non-current liability

(15 Marks)
(Total 20 Marks)

Question No. 05

a). Define following terms under LKAS 16

i). Property Plant and Equipment

ii). Depreciation

(04 marks)

b). Asian Capital Ltd installing a new plant at its production facility and it has incurred following cost. Determine the cost that can be capitalized under LAKS 16.

- Cost of the plant (cost per supplier invoice plus taxes) 2,500,000
- Initial delivery and handling costs 200,000
- Cost of site preparation 600,000
- Consultants used for advice on the acquisition of the plant 700,000
- Interest charges paid to supplier of plant for deferred credit 200,000
- Estimated dismantling costs to be incurred after 7 years 300,000

(06 Marks)

(Total 10 Marks)