



# 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) – 2016

May 2022

#### BCOM E1035 – Financial Accounting

**No. of Questions: Four (04)**

**Time: 03 Hours**

**Answer All Questions**

#### Question No. 01

- a) Identify five users of Financial Statements.  
(05 Marks)
- b) Assets, Liabilities, Equity, Income, and Expenses are the main elements of a Financial Statement. Briefly explain each of them with an example.  
(10 Marks)
- c) Explain the importance of 'Financial Accounting' for decision makers in a firm.  
(10 Marks)
- (Total 25 Marks)**

#### Question No. 02

- a) Classify 'branches' and briefly explain each component.  
(05 Marks)
- b) Record following transactions in the books of head office and branch
- Goods sent to branch/Goods received from head office – Rs.1,250,000
  - From above goods Rs.25,000 worth of goods returned by branch to head office.
  - Branch expenses incurred by branch – Rs.11,000
  - Branch building rent paid by the head office – Rs.40,000
  - Branch purchased Rs.950,000 worth of goods on credit from an external party.
  - Branch sales Rs.5,625,000 (credit basis)
  - Branch debtors' made their payments to the head office – Rs.450,000
  - Head office paid Rs.110,000 for branch purchases.

- ix). Branch purchased equipment – Rs. 820,000
- x). Branch purchased Rs.450,000 worth of furniture for their use. However, this furniture account is maintained by the head office.

(20 Marks)

(Total 25 Marks)

**Question No. 03**

a). Following is the Balance Sheet of Anjalee and Bhanu Traders, as at 31<sup>st</sup> March, 2021.

| Liabilities                | Amount (Rs.) | Assets                                   | Amount (Rs.) |
|----------------------------|--------------|--|--------------|
| Partners' Capital accounts |              | Buildings                                | 225,000      |
| Anjalee                    | 115,000      | Goodwill                                 | 51,000       |
| Bhanu                      | 115,000      | Investments                              | 38,000       |
| Investment fund            | 61,000       | Debtors – Provisions<br>(55,000 - 5,000) | 50,000       |
| Anjalee's loan             | 26,000       | Stock                                    | 11,000       |
| Bhanu's loan               | 15,000       | Cash at bank                             | 55,000       |
| Creditors                  | 98,000       |  |              |
| Total                      | 430,000      | Total                                    | 430,000      |

Anjalee and Bhanu are sharing profit and losses equally. They decided to dissolve the firm on 31<sup>st</sup> March, 2021, and following transactions occurred on that date.

- i). Anjalee took away stocks worth Rs.5,000 to recover her full loan amount. .
- ii). Bhanu took away half of the investment at 15% less.
- iii). Debtors realized for Rs. 47,000.
- iv). Creditors were paid Rs. 6,000 less.
- v). Buildings were realized for Rs.300,000.
- vi). Goodwill realized for Rs.60,000.
- vii). Remaining investment were sold at Rs.15,000
- viii). Old office equipment which was not recorded in the books was taken over by Bhanu for Rs.15,000.
- ix). Realization expenses were Rs.20,000

You are required to prepare;

1. Realization Account
2. Partners' Capital Account
3. Bank Account

(15 Marks)

b). Briefly explain following terms;

- i). Property, plant and equipment
- ii). Accounting environment
- iii). Other comprehensive income
- iv). Borrowing cost
- v). A business entity

(2 x 5 Marks)

**(Total 25 Marks)**

**Question No. 04**

Arjuna and Vijitha were in a partnership, sharing profits and losses in 3:2 ratio. They agreed to amalgamate their business with Sanjaya and started a new firm on 31<sup>st</sup> March, 2021. As on that date, Balance Sheets of A & V Partnership and Sanjaya Business were as follows:

| Liabilities      | A & V Partnership (Rs.) | Sanjaya business (Rs.) | Assets                                      | A & V Partnership (Rs.) | Sanjaya Business (Rs.) |
|------------------|-------------------------|------------------------|---|-------------------------|------------------------|
| Capital Accounts |                         |                        |   |                         |                        |
| - Arjuna         | 100,000                 |                        | Freehold Premises                           | 80,000                  | -                      |
| - Vijitha        | 80,000                  |                        |   |                         |                        |
| - Sanjaya        |                         | 60,000                 |   |                         |                        |
| Current Accounts |                         |                        |   |                         |                        |
| - Arjuna         | 34,000                  |                        | Furniture                                   | 24,000                  | 15,000                 |
| - Vijitha        | 28,000                  |                        |   |                         |                        |
| - Sanjaya        |                         | 8,000                  |   |                         |                        |
| Loan from Mahesh | -                       | 20,000                 | Investments                                 | -                       | 30,000                 |
| Creditors        | 26,000                  | 16,000                 | Stock                                       | 60,000                  | 45,000                 |
|                  |                         |                        | Debtors (less) Provision for doubtful debts | 24,000 (2,000)          | 18,000 -               |
| Bank Overdraft   | -                       | 4,000                  | Bank  | 82,000                  | -                      |
| Total            | 268,000                 | 108,000                | Total                                       | 268,000                 | 108,000                |

The two firms were amalgamated on following terms:

- I. Profits and losses are to be shared: Arjuna  $\frac{2}{5}$ , Vijitha  $\frac{2}{5}$  & Sanjaya  $\frac{1}{5}$ .
- II. An account for goodwill is to be maintained in the books of new firm, and agreed to contribute as follows:

|                   |            |
|-------------------|------------|
| A & V Partnership | Rs.120,000 |
| Sanjaya Business  | Rs.40,000. |
- III. Assets of A & V Partnership were valued as follows;

|                  |            |
|------------------|------------|
| Office Buildings | Rs.110,000 |
| Furniture        | Rs.21,000  |
| Stock            | Rs.69,000  |
| Debtors          | Rs.23,200. |
- IV. Investment of Sanjaya Business was sold by Sanjaya for Rs.46,000 and out of this sum he discharged the loan to Mahesh and the bank overdraft. The balance has taken over by the new firm.

You are required to;

- a) Prepare the ledger accounts to close the books of A & V Partnership as at 31<sup>st</sup> March, 2021.

(10 Marks)

- b) Prepare the ledger accounts to close the books of Sanjaya Business as at 31<sup>st</sup> March, 2021.

(10 Marks)

- c) Prepare the Balance Sheet in the books of the new firm as at 31<sup>st</sup> March, 2021.

(05 Marks)

**(Total 25 Marks)**