



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) – 2019

April 2023

BCOM E1035 – Financial Accounting

No. of Questions: Four (04)

Time: 03 Hours

Answer All Questions

Question No. 01

- a) Explain the importance of 'Financial Accounting'.
(04 Marks)
 - b) Name four stakeholders who use Financial Statements. How they use financial statements?
(04 Marks)
 - c) Name five components of the accounting environment. Explain two of them briefly.
(05 Marks)
 - d) Contrast Financial Accounting against Management Accounting.
(12 Marks)
- (Total Marks 25)**

Question No. 02

- a) Explain the difference between a 'Department' and a 'Branch'.
(03 Marks)
- b) Compare the Dependent branch and Independent branch.
(02 Marks)
- c) Record following transactions in the books of head office and branch separately.
 - i). Goods sent to branch/Goods received from head office – Rs.1,225,000
 - ii). From above goods Rs.125,000 worth of goods returned by branch to head office.
 - iii). Branch expenses incurred by branch – Rs.50,000
 - iv). Branch building rent paid by the head office – Rs.158,000
 - v). Branch purchased Rs.650,000 worth of goods on credit from the external party.

- vi). Branch sales Rs.7,925,000 (credit basis)
- vii). Branch debtors' made their payments to the head office – Rs.420,000
- viii). Head office paid Rs.90,000 for branch purchases.
- ix). Branch purchased equipment – Rs.620,000
- x). Branch purchased Rs.520,000 worth of computer for their use. But this computer account is maintained by the head office.

(20 Marks)

(Total Marks 25)

Question No. 03

A. Following is the Balance Sheet of the Perera and Saman Partnership on March 31st 2022.

Equity/Liabilities	Amount (Rs.)	Assets	Amount (Rs.)
Reserve fund		Buildings	1,105,000
Mrs. Perera	920,000	Goodwill	541,000
Mr. Saman	830,000	Investments	200,000
Investment fluctuation fund	152,000	Debtors – Provisions (200,000 - 25,000)	175,000
Mrs. Perera's loan	50,000	Stock	142,000
Mr. Saman's loan	45,000	Cash at bank	132,000
Creditors	298,000		
Total	2,295,000	Total	2,295,000

The firm was dissolved on 31st March 2022 and the following transactions occurred on that date.

- i. Rs. 35,000 stock was handed over by the partnership to Mrs. Perera to settle her loan.
- ii. Mr. Saman took away half of the investment at 10% less.
- iii. Debtors realized at Rs.200,000.
- iv. Creditors were paid at less than Rs.11,000.
- v. Buildings realized for Rs.1,500,000.
- vi. Goodwill revalued at Rs.600,000.
- vii. Remaining investments were sold at Rs.45,000
- viii. An old set of furniture that was not recorded in the books was taken over by Mrs. Perera for Rs.45,000.
- ix. Realization expenses amounted to Rs.25,000

You are required to prepare;

- a) Realization Account
- b) Partners' Capital Accounts
- c) Bank Account

(15 Marks)

B. Briefly explain the following terms;

- a) Presentation of Financial Statements (LKAS 01)
- b) Inventories (LKAS 02)
- c) Property, Plant and Equipment (LKAS 16)
- d) Borrowing Costs (LKAS 23)
- e) Leases (LKAS 17)
- f) Fair Value Measurement (SLFRS 13)

(5 x 02 Marks = 10)

(Total Marks 25)

Question No. 04

- a) Explain the term amalgamation of partnership highlighting the objectives of amalgamation of partnership firms. (05 Marks)
- b) Firms Martine and Nayon Partnership and Omega and Peter Partnership decided to amalgamate as of 1st January 2023 under the name Prinston Trading Company. The Balance Sheets of Martine and Nayon Partnership and Omega and Peter Partnership as of 31st December 2022 are as follows.

Equity/ Liabilities	Martine and Nayon Partnership (Rs. 000)	Omega and Peter Partnership (Rs. 000)	Assets	Martine and Nayon Partnership (Rs. 000)	Omega and Peter Partnership (Rs. 000)
Capital Accounts			Building	18,000	-
Martine	30,000	-	Goodwill	-	10,000
Nayon	20,000	-	Investments	20,000	-
Omega	-	15,000	Debtors	12,000	24,000
Peter	-	15,000	Stock	30,000	26,000

General Reserves	20,000	-			
Creditors	10,000	22,000			
Bank Loan	-	8,000			
Total	80,000	60,000	Total	80,000	60,000

Martine and Nayon shared profits in proportion to their capitals, while Omega and Peter shared profits equally.

The terms of amalgamation were as follows:

- I. The building owned by Martine and Nayon Partnership is to be taken over by the new firm, the Prinston Trading Company at Rs.23,000,000.
- II. However, the Prinston Trading Company does not take over the investments of Martine and Nayon Partnership.
- III. The goodwill appearing in the books of Omega and Peter Partnership was decided worthless.
- IV. After the above adjustments have been made, Omega and Peter agreed to bring in Rs.5,000,000 each, as additional capital.

You are required to prepare;

- a) The ledger accounts to close the books of Martine and Nayon Partnership as at 01st of January, 2023.

(07 Marks)

- b) The ledger accounts to close the books of Omega and Peter Partnership as at 01st of January, 2023.

(08 Marks)

- c) The Balance Sheet in the books of the new firm 'Prinston Trading Company' as at 01st of January, 2023.

(05 Marks)

(Total Marks 25)