



# 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) – 2021

October 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’  
(05 Marks)
  - b). Explain the term ‘Property Plant and Equipment’ under LKAS 16.  
(05 Marks)
  - c). Identify five components of the accounting environment. Explain two of them briefly.  
(05 Marks)
  - d). Differentiate ‘Financial Accounting’ from ‘Management Accounting’  
(10 Marks)
- (Total 25 Marks)**

#### **Question No. 02**

- a). Explain the difference between ‘inland branch’ and ‘foreign branch’ with appropriate examples.  
(05 Marks)
- b). Record following transactions in the books of head office and branch separately.
  - i. Goods sent to branch from the head office – Rs.1,527,000.
  - ii. The branch has returned Rs.324,000 worth of goods to the head office.
  - iii. Branch expenses incurred by branch – Rs.55,000.
  - iv. Branch water bill paid by the head office – Rs.12,000.
  - v. Branch purchased Rs.423,000 worth of goods on credit basis, from a third party.
  - vi. Branch sales occurred Rs.3,975,000 on credit basis.

- vii. Branch debtors made their payments to the head office – Rs.85,000
- viii. Head office paid Rs.225,000 for branch purchases.
- ix. Branch purchased a computer – Rs.475,000
- x. Branch purchased Rs.110,000 worth of furniture set for their use. But the furniture account is maintained by the head office.

(20 Marks)

**(Total 25 Marks)**

**Question No. 03**

- a). Briefly explain the following terms;
  - i. Presentation of Financial Statements (LKAS 01)
  - ii. Inventories (LKAS 02)
  - iii. Borrowing Costs (LKAS 23)
  - iv. Leases (LKAS 17)
  - v. Fair Value Measurement (SLFRS 13)

(5\*02 Marks = 10 Marks)

- b). Following is the Balance Sheet of the Pahan and Sahan Partnership on January 31<sup>st</sup> 2023.

<b>Equity/Liabilities</b>	<b>Amount (Rs.)</b>	<b>Assets</b>	<b>Amount (Rs.)</b>
Reserve fund		Buildings	945,000
Pahan	800,000	Goodwill	675,000
Sahan	670,000	Investments	280,000
Investment fluctuation fund	475,000	Debtors – Provisions (350,000 - 26,000)	324,000
Pahan's loan	60,000	Stock	100,000
Sahan's loan	45,000	Cash at bank	76,000
Creditors	350,000		
<b>Total</b>	<b>2,400,000</b>	<b>Total</b>	<b>2,400,000</b>

The firm was dissolved on 31<sup>st</sup> January 2023 and the following transactions occurred on that date.

- i. Rs.45,000 stock was handed over by the partnership to Pahan to settle his loan.
- ii. Sahan took away 3/5<sup>th</sup> of the investment at 10% less.
- iii. Debtors realized at Rs.225,000.
- iv. Creditors were paid at less than Rs.17,000.
- v. Buildings realized for Rs.1,500,000.
- vi. Goodwill revalued at Rs.700,000.
- vii. Remaining investments were sold at Rs.115,000
- viii. An old computer that was not recorded in the books was taken over by Pahan for Rs.125,000.
- ix. Realization expenses amounted to Rs.42,000

You are required to prepare;

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

(15 Marks)

**(Total 25 Marks)**

#### **Question No. 04**

- a). Explain the importance of amalgamation of partnership firms.

(05 Marks)

- b). Firms Maxi & Noori Partnership and Opec and Poori Partnership decided to amalgamate as of 01<sup>st</sup> April 2023 under the name Lord-ink Company. The Balance Sheets of two partnership firms as of 01<sup>st</sup> April, 2023 are as follows.

Equity/Liabilities	Maxi and Noori Partnership (Rs. 000)	Opec and Poori Partnership (Rs. 000)	Assets	Maxi and Noori Partnership (Rs. 000)	Opec and Poori Partnership (Rs. 000)
Capital Accounts			Building	190,000	-
Maxi	160,000	-	Goodwill	-	225,000
Noori	140,000	-	Investments	140,000	-
Opec	-	130,000	Debtors	180,000	160,000
Poori	-	125,000	Stock	40,000	115,000
General Reserves	130,000	-			
Creditors	120,000	133,000			
Bank Loan	-	112,000			
<b>Total</b>	<b>550,000</b>	<b>500,000</b>	<b>Total</b>	<b>550,000</b>	<b>500,000</b>

Maxi and Noori shared profits on 2:3 ratio, while Opec and Poori shared profits equally.

The terms of amalgamation were as follows:

- i. The building owned by Maxi and Noori Partnership is to be taken over by the new firm, the Lord-ink Company at Rs.200,000,000.
- ii. However, the Lord-ink Company does not take over the investments of Maxi and Noori Partnership.
- iii. The goodwill appearing in the books of Opec and Poori Partnership was decided worthless.
- iv. After the above adjustments have been made, Opec and Poori 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 Maxi and Noori Partnership as at 01<sup>st</sup> April 2023.
- b). The ledger accounts to close the books of Opec and Poori Partnership as at 01<sup>st</sup> April 2023.
- c). The Balance Sheet in the books of the new firm 'Lord-ink Company' as at 01<sup>st</sup> April 2023.

(07 Marks)

(08 Marks)

(05 Marks)

**(Total 25 Marks)**