



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) – 2022

April 2024

BCOM E1035 – Financial Accounting

No. of questions: Four (04)

Time: 03 hours

Answer all Questions.

Question No. 01

- a). Explain the term ‘Inventories’ under LKAS 02 with an appropriate example. (05 Marks)
- b). Explain the term ‘Property Plant and Equipment’ under LKAS 16 with an appropriate example. (05 Marks)
- c). Name five disclosures under LKAS 16. (05 Marks)
- d). Explain five differences of ‘Financial Accounting’ and ‘Management Accounting’ with appropriate examples. (10 Marks)

(Total 25 Marks)

Question No. 02

- a). Contrast ‘dependent branch’ and ‘independent branch’. (05 Marks)
- b). Record the following transactions separately in the books of head office and the branch.
 - i. Goods sent to branch from the head office – Rs.725,000.
 - ii. From the above stock the branch has returned Rs.50,000 worth of goods to the head office.
 - iii. Branch expenses incurred by the branch – Rs.15,000.
 - iv. Branch electricity bill paid by the head office – Rs.35,000.
 - v. Branch purchased Rs.50,000 worth of goods on credit basis, from a third party.
 - vi. Branch sales occurred Rs.1,500,000 on credit basis.
 - vii. Branch debtors’ made their payments to the head office – Rs.30,000

- viii. Head office paid Rs.11,000 for branch purchases.
- ix. Branch purchased a computer – Rs.220,000
- x. Branch purchased Rs.16,000 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). Partnership
- ii). Presentation of Financial Statements (LKAS 01)
- iii). Borrowing Costs (LKAS 23)
- iv). Capital
- v). Assets and liabilities

(5*02 Marks = 10 Marks)

b). Following is the Statement of Financial Position of the Poorna and Sahan Partnership as of March 31st, 2024.

Equity/Liabilities	Amount (Rs.)	Assets	Amount (Rs.)
Capital Balance		Buildings	1,100,000
Mr. Poorna	575,000	Goodwill	350,000
Mr. Sahan	450,000	Investments	115,000
Investment fluctuation fund	300,000	Debtors – Provisions for bad debt (125,000 - 25,000)	100,000
Mr. Poorna's loan	65,000	Stock	110,000
Mr. Sahan's loan	40,000	Cash at bank	105,000
Creditors	450,000		
Total	1,880,000	Total	1,880,000

The firm was dissolved on 31st March 2024 and the following conditions were agreed on that date.

- i. Rs.43,000 stock was handed over by the partnership to Mr Poorna to settle his loan.
- ii. Mr. Sahan took away 1/5th of the investment at 10% less.
- iii. Debtors realized at Rs.130,000.
- iv. Creditors were paid at less than Rs.10,000.
- v. Buildings realized for Rs.1,210,000.
- vi. Goodwill revalued at Rs.340,000.
- vii. Remaining investments were settled at Rs.110,000.
- viii. An old computer that was not recorded in the books was taken over by Mr Poorna for Rs.86,000.
- ix. Realization expenses incurred Rs.21,000.

You are required to prepare;

- I. Realization Account (05 Marks)
- II. Partners' Capital Accounts (05 Marks)
- III. Bank Account (05 Marks)

(Total 25 Marks)

Question No. 04

- a). Identify the three main methods of amalgamating partnership firms. (06 Marks)
- b). Firms Mahela - Nuwan Partnership and Olga – Pavan Partnership decided to amalgamate as of 01st April 2024 under the name Omega Trading Company. The Balance Sheets of two partnership firms as of 01st April 2024 are as follows.

Equity/Liabilities	Mahela and Nuwan Partnership (Rs. 000)	Olga and Pavan Partnership (Rs. 000)	Assets	Mahela and Nuwan Partnership (Rs. 000)	Olga and Pavan Partnership (Rs. 000)
Capital Accounts			Building	75,000	-
Mahela	55,000	-	Goodwill	-	78,000

Nuwan	35,000	-	Investments	35,000	-
Olga	-	28,000	Debtors	16,000	14,000
Pavan	-	26,000	Stock	4,000	3,000
General Reserves	25,000	-			
Creditors	15,000	31,000			
Bank Loan	-	10,000			
Total	130,000	95,000	Total	130,000	95,000

Mahela and Nuwan shared profits on 2:3 ratio, while Olga and Pavan shared profits equally.

The terms of amalgamation were as follows:

- i). The building owned by Mahela and Nuwan Partnership is to be taken over by the new firm, the Omega Trading Company at Rs.80,000,000.
- ii). However, the Omega Trading Company does not take over the investments of Mahela and Nuwan Partnership.
- iii). The goodwill appearing in the books of Olga and Pavan Partnership was decided worthless.
- iv). After the above adjustments have been made, Olga and Pavan agreed to bring in Rs.50,000,000 each, as additional capital.

You are required to prepare;

- a). The ledger accounts to close the books of Mahela and Nuwan Partnership as at 01st April 2024. (07 Marks)
- b). The ledger accounts to close the books of Olga and Pavan Partnership as at 01st April 2024. (07 Marks)
- c). The Balance Sheet in the books of the new firm 'Omega Trading Company' as at 01st April 2024. (05 Marks)

(Total 25 Marks)