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) – 2023

May – 2025

BCOM E 1035 - Financial Accounting

No. of Questions: Four (04)

Answer All Questions. **Time: 03 hours**

Question Number 01

a) Explain the term 'Property Plan and Equipment' under LKAS 16 with an appropriate example.

(05 Marks)

b) Explain the term 'Inventory' under LKAS 02 with an appropriate example.

(05 Marks)

c) Identify five disclosures under LKAS 02.

(05 Marks)

d) Briefly explain five differences between Financial Accounting and Management Accounting

(10 Marks)

(Total Marks 25)

Question Number 02

a) Contrast 'inland branch' and 'foreign branch.

(05 Marks)

b) Record the following transactions separately in the books of head office and the branch.

i. Goods worth Rs. 534,000 were sent to the branch by the Head Office.

ii. Out of the goods received above the branch returned goods worth Rs. 21,000 to the Head Office.

iii. The branch incurred expenses amounting to Rs. 33,000.

iv. The branch building rent of Rs. 51,000 was paid by the Head Office.

v. The branch purchased goods on credit from a third party amounting to Rs. 86,000.

vi. Total credit sales made by the branch amounted to Rs. 950,000.

vii. Branch debtors made payments totaling Rs. 45,000 directly to the Head Office.

viii. The Head Office paid Rs. 19,000 for purchases made by the branch.

ix. The branch purchased a furniture set worth Rs. 354,000.

x. The branch purchased a computer for Rs. 300,000 for its own use; however, the computer account is maintained by the Head Office.

(20 Marks)

(Total Marks 25)

Question Number 03

a. Briefly explain the following terms

i. Presentation of Financial Statements (LKAS 01)

ii. Stakeholders

iii. Sole proprietorships

iv. Assets and liabilities

v. Double entry system

(02x 05 = 10 Marks)

b. Following is the Statement of Financial Position of the Prarthana and Sandamini Partnership as of March 31st, 2025.

Equity/Liabilities	Amount (Rs.)	Assets	Amount (Rs.)
Capital & Current balance		Buildings	1,130,000
Prarthana	678,000	Goodwill	435,000
Sandamini	549,000	Investments	214,000
Investment fluctuation fund	490,000	Debtors – Provisions for bad debt (224,000 - 34,000)	190,000
Prarthana's loan	74,000	Stock	209,000
Sandamini's loan	51,000	Cash at bank	202,000
Creditors	538,000		
Total	2,380,000	Total	2,380,000

The firm was dissolved on 31st March 2025 and the following conditions were agreed on that date.

i. Stock worth Rs.54,000 was handed over to Prarthana in full settlement of her loan to the firm.
ii. Sandamini took over 2/5th of the total investments at a 10% discount.
iii. Debtors realized Rs.200,000.
iv. Creditors were settled at an amount less than Rs.28,000.
v. Buildings were realized Rs.1,200,000.
vi. The goodwill of the firm was revalued at Rs.400,000.
vii. The remaining investments were realized for Rs.120,000.
viii. A motor bicycle, which was not recorded in the books, was taken over by Prarthana for Rs.175,000.
ix. Realization expenses incurred amounted to Rs.49,000.

You are required to prepare ;

a) Realization Account (05 Marks)
b) Partners' Capital Accounts (05 Marks)
c) Bank Account (05 Marks)

(Total Marks 25)

Question Number 04

a) Explain 3 advantages of amalgamating partnership firms. (06 Marks)

b) Firms Morine – Noori Partnership and Otara – Prem Partnership decided to amalgamate as of 01st April 2025 under the name Sithara Trading Company. The Balance Sheets of two partnership firms as of 01st April 2025 are as follows.

Equity/ Liabilities	Morine and Noori Partnership	Otara and Prem Partnership	Assets	Morine and Noori Partnership	Otara and Prem Partnership
Capital Accounts			Building	246,000	-
Morine	145,000	-	Goodwill	-	168,000
Noori	125,000	-	Investments	125,000	-
Otara	-	118,000	Debtors	106,000	175,000
Prem	-	116,000	Stock	13,000	12,000

General Reserves	115,000	-			
Creditors	105,000	71,000			
Bank Loan	-	50,000			
Total	490,000	355,000	Total	490,000	355,000

Morine and Noori shared profits equally, while Otara and Prem shared profits on 2:3 ratio.
The terms of amalgamation were as follows:

I. The building owned by Morine and Noori Partnership is to be taken over by the new firm at Rs.170,000.

II. The investments of Morine and Noori Partnership are not to be taken over by the new firm.

III. The goodwill appearing in the books of Otara and Prem Partnership is considered worthless and should be written off.

IV. After making the above adjustments, Otara and Prem agreed to bring in Rs.140,000 each as additional capital into the new firm.

You are required to prepare:

i. The ledger accounts to close the books of Morine and Noori Partnership as at 01st April 2025. (07 Marks)

ii. The ledger accounts to close the books of Otara and Prem Partnership as at 01st April 2025. (07 Marks)

iii. The Balance Sheet in the books of the new firm 'Sithara Trading Company' as at 01st April 2025 (05 Marks)

(Total Marks 25)