



UNIVERSITY OF KELANIYA – SRI LANKA

Centre for Distance and Continuing Education

Faculty of Commerce & Management Studies

Bachelor of Commerce (Special) Degree Third Year Examination (External) – 2022
March – 2025

BCOME 3035- Advanced Financial Accounting

No. of Questions : Three (03)

Time: 03 hours

Answer all questions

Question No.01

Kasi Ltd acquired 60% of net assets of Wasi Ltd on 01.04.2023. At the date of the acquisition. The fair value of non-controlling interest on the date of the acquisition was Rs. 3,850,000. You have been given the individual financial statements of Kasi group of companies for the year ended 31st March 2024 as follows.

Statements of Comprehensive Income for the year ended 31st March 2024

	Kasi (Rs.)	Wasi (Rs.)
Revenue	23,744,395	18,236,246
Cost of sales	17,887,502	14,195,825
Gross Profit	5,856,893	4,040,421
Other Income	231,000	7,875
Administrative Expenses	1,650,660	1,090,075
Distribution Expenses	1,799,574	1,247,400
Operating Profit	2,637,659	1,710,821
Finance Expenses	566,038	855,665
Profit before tax	2,071,621	855,156
Income Tax	621,486	256,547
Profit for the year	1,450,135	598,609

Statements of Changes in Equity for the year ended 31st March 2024

	Kasi (Rs.)	Wasi (Rs.)
Stated Capital	10,500,000	5,250,000
Retained earnings		
Balance as at 01.04.2023	2,647,495	2,612,575
Net Profit	1,450,135	598,609
Dividend Paid	273,000	175,000
	3,824,630	3,036,184
Balance as at 31.03.2024	14,324,630	8,286,184

Statements of Financial Position as of 31st March 2024

	Kasi (Rs.)	Wasi (Rs.)
<u>Assets</u>		
<u>Non-Current Assets</u>		
Property Plant and Equipment	7,569,225	7,574,263
Investment - Wasi	4,287,500	-
Other Investment	323,750	131,250
	12,180,475	7,705,513
<u>Current Assets</u>		
Inventories	1,439,550	1,012,488
Trade debtors	799,313	601,300
Amount due from related party	37,625	-
cash and cash equivalent	1,710,565	1,154,209
	3,987,053	2,767,997
	16,167,528	10,473,510
<u>Equity and Liabilities</u>		
<u>Equity</u>		
Stated capital	10,500,000	5,250,000
Retained earnings	3,824,630	3,036,184
	14,324,630	8,286,184
<u>Non-Current liabilities</u>		
Interest bearing borrowings	855,985	1,386,000
<u>Current liabilities</u>		
Interest bearing borrowings	167,650	218,750
Trade Creditors	601,125	505,662
Amount due to related party	-	2,625
Taxation	218,138	74,289
	986,913	801,326
	16,167,528	10,473,510

Additional Information

1. During the year Kasi Ltd sold goods to Wasi Ltd valued at Rs. 555,000. The gross profit margin of this transaction was 20%. 40% of such goods remained in Wasi Ltd's inventory as on the date of financial position.
2. On 12.12.2023 Wasi Ltd also sold goods to Kasi Ltd valued at Rs. 375,000. The cost of the goods to Wasi Ltd was Rs. 255,000. 20% of such goods remained in Kasi Ltd.'s inventory as on the date of the statement of financial position.
3. Creditors of Kasi Ltd include Rs. 30,000 of payable to Wasi Ltd arose from trading transactions between two companies. Wasi has recorded the same under their trade debtors.

4. Rs. 35,000 cash payment made by Wasi Ltd on 30th March 2024 as settlement of the amount due to Kasi not being recorded in the books of Kasi ltd.

You are required to prepare the following

- Statement of Comprehensive Income of the Kasi group for the year ended 31.03.2024
(15 marks)
- Statement of Changes in equity of the Kasi group for the year ended 31.03.2024
(06 marks)
- Statement of Financial Position of the Kasi group as at 31.03.2024
(19 marks)

(Total 40 Marks)

Question No.02

The Sinharaja PLC who incorporated their business on 01st April 2019 decided to liquidate their company on 31st March 2024. They prepared their last statement of financial position on 31st March 2024, and they have not issued new preference shares and ordinary shares after their incorporation. You have been provided with the Statement of Financial Position as at 31.03.2024

Sinharaja PL:C
Statement of Financial Position and others
as at 31.03.2024

	(Rs.000')	(Rs.000')
Assets		
<u>Non-current Assets</u>		
Land	7,400	
Building	8,500	
Plant and Machinery	10,250	
Equipment	<u>4,560</u>	30,710
<u>Current Assets</u>		
Stock	6,220	
Debtors	8,500	
Cash at Bank	<u>4,950</u>	<u>19,670</u>
Total Assets		<u>50,380</u>
<u>Equity & Liabilities</u>		
<u>Equity</u>		
15%, 160,000 Preference Shares of Rs.100 each fully paid up	16,000	
200,000 Equity (Rs.100 each)	20,000	
Calls in arrears (Rs. 10 from 6000 shareholders)	(60)	
Reserves	<u>(12,775)</u>	23,165

<u>Non-Current Liabilities</u>		
15%, Rs.100 Debentures Secured on a Floating Charge	6,000	
12%, Loan on Mortgage of Land	7,200	
14%, Loan on Mortgage of Building	<u>8,300</u>	21,500
<u>Current Liabilities</u>		
Trade Creditors	560	
Preference Share Dividend Payable	675	
Accrued Director's Salary	170	
Salaries and Wages (05 months)	2,200	
Accrued Debenture Interest	300	
Income Tax		
2021/22	1,200	
2022/23	560	
2023/24	<u>50</u>	<u>5,715</u>
Total Equity and Liabilities		<u>50,380</u>

- i. On 16th May 2024 the company obtain the liquidation order from the court and the secretary of the company prepared and submitted the statement of company affairs as per the requirement of section 283 of the company act 2007 on 31st May 2024.
- ii. Realization values of the Assets were as follows.

Land	-	Rs. 8,500,000
Building	-	Rs. 8,000,000
Plant and Machinery	-	Rs. 9,500,000
Equipment	-	Rs. 4,400,000
Stock	-	Rs. 6,000,000
- iii. Need to pay interest on mortgage loans and debenture holders secured by floating charge till 31st May 2024.
- iv. Based on the cash receipts, trade debtors can be categorized as follows.

Good	-	Rs. 2,500,000
Doubtful (estimated to be realized 62%)	-	Rs. 6,000,000

 Rests were treated as bad debtors.
- v. Company has called money in arrears, and it is estimated to realize Rs. 45,000.
- vi. An employee filed a case against the company; as compensation, the company should pay Rs.75,000 to that employee. This liability has not yet recorded in the books of the company.
- vii. Liabilities should be settled as follows.

Trade Creditors	-	Rs. 570,000
Managing Director's Salary	-	Rs. 150,000

 Other liabilities have to be settled in full.

viii. Retained earning balance as at 31.03.2024 occurred because of following reasons.

Year	Description	Amount Rs.
2019/20	Trade Profit	6,100,000
	Dividend – For the Ordinary Shares	1,500,000
	Dividend – For the Preferential Shares	2,400,000
2020/21	Trade Profit (Included stock loss of Rs. 220,000)	2,680,000
	Dividend – For the Ordinary Shares	300,000
	Dividend – For the Preferential Shares	2,400,000
2021/22	Trade Loss	1,150,000
	Dividend – For the Preferential Shares	2,400,000
2022/23	Trade Loss	2,850,000
	Dividend – For the Preferential Shares	2,400,000
2023/24	Trade Loss	3,755,000
	Dividend – For the Preferential Shares	2,400,000

By using the above information, you are required to prepare,

- a) Statements of Company affairs
(22 marks)
 - b) Deficiency or Surplus Account
(13 marks)
- (Total 35 Marks)**

Question No.03

- a)
 - i. Define the elements of Financial Statements.
(08 marks)
 - ii. Qualitative characteristics of financial reporting are categorized into two main groups: fundamental characteristics and enhancing characteristics. Name and describe the qualitative characteristics under each category.
(10 marks)
 - b)
 - i. What is non-controlling interest (NCI) in a business combination?
(03 marks)
 - ii. Explain how Goodwill is calculated in a business combination according to SLFRS
(04 marks)
- (Total 25 Marks)**