



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) – 2023
November – 2025

BCOME 3035- Advanced Financial Accounting

No. of Questions : Three (03)

Time: 03 hours

Answer all questions

Question No. 01

- a) i. Explain the objective of general-purpose financial statements.
(02 marks)
- ii. Explain how the elements of financial statements assets, liabilities, equity, income, and expenses are linked to providing information about an entity's economic resources, claims, and changes in those resources and claims, as per the Conceptual Framework for Financial Reporting
(06 marks)
- iii. 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 3.
(04 marks)
- (Total 25 Marks)**

Question No. 02

Ocean Ltd acquired 80% of net assets of River Ltd on 01.04.2024. At the date of the acquisition. The fair value of non-controlling interest on the date of the acquisition was Rs. 5,775,000. You have been given the individual financial statements of Ocean group of companies for the year ended 31st March 2025 as follows.

Statements of Comprehensive Income for the year ended 31st March 2025

	Ocean (Rs.)	River (Rs.)
Revenue	35,616,593	27,354,370
Cost of sales	26,831,253	21,293,738
Gross Profit	8,785,340	6,060,632
Other Income	346,500	11,813
Administrative Expenses	2,475,990	1,635,113
Distribution Expenses	2,699,361	1,871,100
Operating Profit	3,956,489	2,566,232
Finance Expenses	849,057	1,283,498
Profit before tax	3,107,432	1,282,734
Income Tax	932,229	384,820
Profit for the year	2,175,202	897,914

Statements of Changes in Equity for the year ended 31st March 2025

	Ocean (Rs.)	River (Rs.)
Stated Capital	15,750,000	7,875,000
Retained earnings		
Balance as at 01.04.2024	3,971,243	3,918,862
Net Profit	2,175,202	897,914
Dividend Paid	409,500	262,500
	5,736,945	4,554,276
Balance as at 31.03.2025	21,486,945	12,429,276

Statements of Financial Position as of 31st March 2025

	Ocean (Rs.)	River (Rs.)
Assets		
<u>Non-Current Assets</u>		
Property Plant and Equipment	11,353,838	11,361,395
Investment - River	6,431,250	
Other Investment	485,624	196,875
	18,270,712	11,558,270
<u>Current Assets</u>		
Inventories	2,159,324	1,518,731
Trade debtors	1,198,970	901,950
Amount due from related party	56,438	
cash and cash equivalent	2,565,848	1,731,314
	5,980,580	4,151,995
	24,251,292	15,710,265

<u>Equity and Liabilities</u>		
<u>Equity</u>		
Stated capital	15,750,000	7,875,000
Retained earnings	5,736,945	4,554,275
	21,486,945	12,429,276
<u>Non-Current liabilities</u>		
Interest bearing borrowings	1,283,977	2,079,000
<u>Current liabilities</u>		
Interest bearing borrowings	251,475	328,124
Trade Creditors	901,688	758,493
Amount due to related party	-	3,938
Taxation	327,207	111,434
	1,480,370	1,201,989
	24,251,292	15,710,265

Additional Information

1. During the year Ocean Ltd sold goods to River Ltd valued at Rs. 832,500. The gross profit margin of this transaction was 20%. 40% of such goods remained in River Ltd's inventory as on the date of financial position.
2. On 21.12.2024 River Ltd also sold goods to Ocean Ltd valued at Rs. 662,500. The cost of the goods to River Ltd was Rs. 382,500. 20% of such goods remained in Ocean Ltd.'s inventory as on the date of the statement of financial position.
3. Creditors of Ocean Ltd include Rs. 4,000 of payable to River Ltd arose from trading transactions between two companies. River has recorded the same under their trade debtors.
4. Rs. 52,500 cash payment made by River Ltd on 30th March 2025 as settlement of the amount due to Ocean not being recorded in the books of Ocean ltd.

You are required to prepare the following

- a) Statement of Comprehensive Income of the Ocean group for the year ended 31.03.2025
(15 marks)
- b) Statement of Changes in equity of the Ocean group for the year ended 31.03.2025
(06 marks)
- c) Statement of Financial Position of the Ocean group as at 31.03.2025
(19 marks)

(Total 40 Marks)

Question No. 03

The Jayamaga Ltd. who incorporated their business on 01st July 2020 decided to liquidate their company on 31st March 2025. They prepared their last statement of financial position on 31st March 2025, and they have not issued new preference share and ordinary shares after their incorporation. You have been provided with the Statement of Financial Position as at 31.03.2025

Jayamaga Ltd
Statement of Financial Position and others
as at 31.03.2025 (Rs.000')

<u>Assets</u>		
<u>Non-current Assets</u>		
Land	11,074	
Building	14,400	
Plant and Machinery	48,600	
Equipment	4,000	78,074
<u>Current Assets</u>		
Stock	14,233	
Debtors	20,700	
Cash at Bank	5,400	
		40,333
		118,407
<u>Equity & Liabilities</u>		
Equity		
Equity shares	42,810	
Calls in arrears	(113)	42,697
Preference shares		36,000
Reserves		(21,098)
<u>Non-Current Liabilities</u>		
14%,Rs.100 debentures secured on a floating charge	6,000	
10%,Loan on Mortgage of Land	7,200	
12%,Loan on Mortgage of Building	8,300	21,500
<u>Current Liabilities</u>		
Trade Creditors	1,320	
Preference Share dividend payable	5,008	

Accrued director's salary	845	
Salaries & wages (06 months)	6,750	
Income Tax		
2022/23	2,325	
2023/24	1,563	
2024/25	922	18,733
		118,407

On 30th June 2025 the company went into liquidation and as per the requirement of section 283 of the company act .2007 the secretary of the company is going to submit the statement of company affairs and other documents by using following information.

i. Assets realized values

Land - Rs.12,250,000

Building-Rs. 10,125,000

Plant & Machinery –Rs.42,188,000

Equipments-Rs.2,700,000

Stock-Rs. 8,437,000

ii. Accrued interests of loan on mortgages should be paid up to 30th June 2025. Interest up to 31st March 2025 Paid in full.

iii. Doubtful Debtors –Rs.5,900,000 (from this estimated to realize 75%) Rs. 1000,000 debtors need to be treated as bad debtors

iv. Company has called arrears money from the shareholders, and it is estimated to receive Rs.50,000 from them

v. Including late charges Rs.1400,000 should be paid to the creditors.

vi. Director agrees to receive Rs.800,000 as his accrued salary.

vii. Other liabilities except creditors and directors' accrued salary have to be settled in full as per the statement of financial position.

viii There is a contingent liability for legal payment Rs.60,000

xi Retaining earning balance as at 31.03.2025 occurred as a result of following reasons.

2020/21 - Company had Rs.29,250,000 trade profit and Rs. 5,625,000 general reserve. At the year-end they declared Rs.7,875,000 ordinary share and preference share dividends.

2021/22 - Company had Rs.2,812,500 trade profit at the end of the year and they faced a stock loss of Rs.112,500. They declared Rs.6,187,500 ordinary share and preference share dividends.

2022/23 - Company had Rs.7,462,500 trade loss and at the end of the year they and Rs. 3,600,000 preference shares dividends.

2023/24 - Company had Rs.12,148,000 trade loss and at the end of the year they declared Rs. 3,600,000 preference share dividends.

2024/25 - Company had Rs.14,200,000 trade loss and at the end of the year they declared Rs. 3,600,000 preference share dividends.

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)