



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) – 2024
May – 2026

BCOME 3035- Advanced Financial Accounting

No. of Questions : Three (03)

Time: 03 hours

Answer all questions

Question No. 01

Sein Ltd acquired 80% of the net assets of Kein Ltd on 01.04.2025. At the date of acquisition, the fair value of the non-controlling interest (NCI) was Rs. 1,250,000. You are provided with the individual financial statements of the Sein Group of companies for the year ended 31st March 2026

Statements of Comprehensive Income for the year ended 31st March 2026

	Sein Ltd (Rs.)	Kein Ltd (Rs.)
Revenue	2,150,000	1,245,000
Cost of Sales	(1,520,000)	(820,000)
Gross Profit	630,000	425,000
Dividend Income	92,500	7,200
Administrative Expenses	(150,000)	(45,000)
Distribution Expenses	(105,000)	(18,000)
Operating Profit	467,500	369,200
Finance Expenses	(15,000)	(6,500)
Profit Before Tax	452,500	362,700
Taxation	(68,000)	(54,000)
Profit for the Year	384,500	308,700

Statements of Changes in Equity for the year ended 31st March 2026

	Sein Ltd (Rs.)	Kein Ltd (Rs.)
Stated Capital	6,000,000	4,200,000
Retained earnings		
Balance as at 01.04.2025	2,900,000	1,050,000
Net Profit	384,500	308,700
Dividend Paid	(84,500)	(108,700)
	3,200,000	1,250,000
Balance as at 31.03.2026	9,200,000	5,450,000

Statements of Financial Position as of 31st March 2026

	Sein Ltd (Rs.)	Kein Ltd (Rs.)
<u>Assets</u>		
<u>Non-Current Assets</u>		
Property Plant and Equipment	3,200,000	3,450,000
Investment - Kein	4,500,000	
Other Investment	850,000	920,000
	8,550,000	4,370,000
<u>Current Assets</u>		
Inventories	650,000	720,000
Trade debtors	280,000	340,000
Amount due from related party	25,000	
cash and cash equivalent	60,000	190,000
	1,015,000	1,250,000
Total Assets	9,565,000	5,620,000
<u>Equity and Liabilities</u>		
<u>Equity</u>		
Stated capital	6,000,000	4,200,000
Retained earnings	3,200,000	1,250,000
	9,200,000	5,450,000
<u>Non-Current liabilities</u>		
Interest bearing borrowings	120,000	70,000
<u>Current liabilities</u>		
Trade Creditors	235,000	72,000
Amount due to related party		20,000
Tax	10,000	8,000
	245,000	100,000
Total Equity & liabilities	9,565,000	5,620,000

Additional Information

1. During the year, Sein Ltd sold goods worth Rs. 120,000 to Kein Ltd at a mark-up of 20% on cost. 30% of these goods remained in Kein Ltd's closing inventory at year-end.
2. Kein Ltd sold goods costing Rs. 40,000 to Sein Ltd for Rs. 55,000. 25% of these goods remained in Sein Ltd's closing inventory at year-end.
3. The difference in current account balances arose due to a payment made by Sein Ltd to Kein Ltd on 28.03.2026, which had not been recorded by Kein Ltd.
4. Trade receivables of Kein Ltd include Rs. 18,000 due from Sein Ltd.

You are required to prepare the following

- a) Statement of Comprehensive Income of the Sein group for the year ended 31.03.2026

(15 marks)

b) Statement of Changes in equity of the Sein group for the year ended 31.03.2026

(06 marks)

c) Statement of Financial Position of the Sein group as at 31.03.2026

(19 marks)

(Total 40 Marks)

Question No. 02

The following is the Statement of Financial Position of Nisala Industries as at 31.03.2026, on which date the company decided to liquidate

Nisala Industries
Statement of Financial Position and others
as at 31.03.2026

<u>Assets</u>		
<u>Non-current Assets</u>		
Land	5,800,000	
Building	3,950,000	
Plant and Machinery	2,250,000	
Equipment	2,132,500	14,132,500
<u>Current Assets</u>		
Stock	1,020,000	
Trade Receivable	1,120,000	
Prepaid Expense	200,000	
Cash at Bank	<u>18,000</u>	<u>2,358,000</u>
Total Assets		<u>16,490,500</u>
<u>Equity & Liabilities</u>		
<u>Equity</u>		
120,000 Equity (Rs.100 each)	12,000,000	
Calls in arrears (Rs. 30 from 2000 shareholders)	(60,000)	
15%, 80,000 Preference Shares of Rs.100 each fully paid up	1,000,000	
Reserves	<u>(3,010,000)</u>	9,930,000
<u>Non-Current Liabilities</u>		
12%, Rs.100 Debentures	150,000	
Loan on Mortgage of Land	3,000,000	
Loan on Mortgage of Building	<u>2,400,000</u>	5,550,000
<u>Current Liabilities</u>		
Trade Creditors	310,000	
Preference Share Dividend Payable	275,000	
Accrued Director's Salary	140,000	
Salaries and Wages (05 months)	275,000	

Income Tax		
2023/24	6,000	
2024/25	2,800	
2025/26	<u>1,700</u>	
Total Equity and Liabilities		<u>1,010,500</u>
		<u>16,490,500</u>

- i. On 2nd April 2026 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 2nd May 2026.
 - ii. Assets were revalued and realized as follows:
 - Land – Rs. 6,250,000
 - Building – Rs. 3,410,000
 - Inventory – Rs. 980,000
 - iii. Trade receivables are classified as:
 - Good – Rs. 500,000
 - Doubtful (expected to realize 50%) – Rs. 500,000
 - Bad – Rs. 120,000
 - iv. Prepaid expenses relate to advance insurance, of which Rs. 100,000 is refundable.
 - v. Calls in arrears are expected to realize Rs. 50,000.
 - vi. There is a contingent liability of Rs. 60,000 relating to a legal claim, expected to be settled at Rs. 50,000.
 - vii. Liabilities are expected to be settled as follows:
 - Trade creditors – Rs. 290,000
 - Directors' remuneration – Rs. 120,000
 - viii. On 01.04.2023, the company had:
 - Retained earnings – Rs. 40,000
 - General reserve – Rs. 55,000
 - Dividends declared – Rs. 600,000
- During the year 2023/24:
- The company incurred a trading loss of Rs. 350,000
 - Inventory loss due to damage amounted to Rs. 150,000
- During the year 2024/25:
- The company incurred a further trading loss of Rs. 700,000
- During the year 2025/26:
- The company incurred a further trading loss of Rs. 1,305,000

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. Despite the significant costs incurred in preparing and presenting financial information, organizations are always required to produce high-quality financial reports. Explain why this requirement exists and justify its importance to users of financial statements

(04 Marks)

- ii. Explain recognition and derecognition criteria according to the conceptual framework for Financial Reporting

(04 Marks)

- iii. Name and explain the qualitative characteristics of useful financial statements as outlined in the Conceptual Framework for Financial Reporting.

(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)

