



University of Kelaniya - Sri Lanka  
Centre for Open and Distance Learning



Faculty of Commerce and Management Studies

Bachelor of Commerce (Special) Degree Examination (External) – 2008

Year I

BCOM E 1035 – Financial Accounting

No. of questions: Five (05)  
Answer for all questions.

Time: 03 hours

(01) The head office of a business and its branch keep their own books and each prepares its own profit & loss account. The following are the balances appearing in the two sets of books as on 31<sup>st</sup> March 2009.

	Head Office		Branch	
	Dr. (Rs.)	Cr.(Rs.)	Dr.(Rs.)	Cr (Rs.)
Bills receivables and bills payables	-	18,880	9,600	-
Debtors/Creditors	125,600	63,360	93,440	46,720
Cash and bank	171,840	-	70,720	-
Fixed assets	725,600	-	255,040	-
Capital	-	1,411,200	-	-
Current Accounts	477,760	-	-	448,320
Profit & loss account	-	234,560	-	48,960
Stock	227,200	-	115,200	-
	<u>1728,000</u>	<u>1728,000</u>	<u>544,000</u>	<u>544,000</u>

Additional information is as follows.

- Goods worth Rs. 7040 had been dispatched to the branch by head office on 27.03.2009, but the goods did not reach there till 3<sup>rd</sup> April 2009.
- The branch had sent a bank draft to the head office on 30.03.2009 for Rs. 16,000. But the draft reached head office after 31.03.2009.
- Depreciation on some branch assets not provided for Rs. 4000.
- The branch should be charged with Rs. 4800 for administrative services rendered by the head office.
- Stock stolen in transit Rs. 6400. These stock was invoiced by the head office to branch and charged to the branch account. Insurance company agreed to pay only Rs. 3,700 to recover the loss.
- The balance of branch profit should be transferred to the head office books.

You are required to prepare

- Head Office and Branch Current Accounts.
- Balance sheet as at 31.03.2009.

(30 marks)

(02) A, B, C are in partnership sharing profits and losses in the ratio 2: 1: 1. The balance sheet of the partnership as at 31.03.2009 as follows.

<u>Capital Accounts</u>		<u>Fixed Assets</u>	
A	77,000	Land & Buildings	112,000
B	44,800	Machinery	21,000
C	<u>35,000</u>	(-) provision for depreciation	<u>(8400)</u> 12,600
	156,800		
<u>Current Liabilities</u>			
Creditors	5740	Furniture	7,000
		(-) provision for depreciation	<u>(2,800)</u> 4,200
Bank overdraft	<u>8960</u>		128,800
	14,700		
		<u>Current Assets</u>	
		Stock	33,600
		Debtors	<u>9,100</u> 42700
			<u>171,500</u>
			<u>171,500</u>

On 31.03.2009, it was agreed that the partnership should be dissolved as from the date. Relevant information is as follows.

- Mr. B will continue the business and he agrees to take over followings.
 

Land & buildings	Rs. 168,000/-
Machinery	Rs. 15,400/-
Stock	Rs. 36,400/-
Debtors	Rs. 8,540/-
- To help finance the purchase Mr. B obtains a bank loan over ten years of Rs. 126,000.
- It is agreed that any balance owing by B at the finalization of the dissolution transactions will be charged to the capital account of "A".
- C agrees to purchase furniture for Rs. 4060.
- Realization expenses amount to Rs. 2100 and together with amounts owing to creditors are paid out of the partnership resources. All transactions were completed on 01.04.2009.

You are required to prepare,

- The partnership realization account.
- The partnership bank account.
- The capital accounts of the partners.
- The balance sheet of Mr. B as at 01.04.2009.

(30 marks)

(03) On 01.04.2006 Ranil & Co., acquired a machine on hire purchase from ABC Co., Ltd. The terms of the contract were as follows.

1. The cash price of the machine was Rs. 325,000.
2. Rs. 130,000 were to be paid on signing the contract.
3. The balance was to be paid in annual instalments of Rs. 65,000 plus interest.
4. Interest chargeable on the outstanding balance was 6% p.a.
5. Depreciation at 10% p.a. is to be written off using reducing balance method.

You are required to show the relevant accounts and the balance sheet extractors as on 31.03.2007, 31.03.2008 and 31.03.2009.

(15 marks)

(04) P, Q, R entered in to a joint venture for dealing with toys. The following are the relevant informations relating to joint venture.

- |       |   |
|-------|---|
| 1/1   | P rented a shop paying 3 months rent Rs. 30,000/-   |
| 10/10 | Q purchased toys from Mr. Ravi at 125,000/-   |
| 15/1  | P sold toys to Mr. Silva at 75,000/-  |
| 1/2   | Electricity bill of shop paid by P Rs. 1200/-.  |
| 3/2   | General expenses paid by Q Rs. 3700/-   |
| 15/2  | R sold toys at Rs. 120,000.   |
| 17/2  | Q paid to Mr. Ravi.   |
| 20/2  | Cash received Rs. 65,000 from debtor (Mr. Silva). Proceeds kept by P.   |
| 1/3   | Sale of toys. Cash kept by R. Rs. 60,000.   |
| 3/3   | Toys were stolen and R agree to bear the loss Rs. 20,000.   |
| 15/3  | The joint venture ended. Toys still in the stock was taken over at an agreed value of Rs. 5,600 by P. The balance payable by the debtor was considered bad and $\frac{3}{4}$ borne by the person who made the sale. The profit/losses sharing ratio is 3: 2: 1. |

You are required to prepare joint venture accounts in each parties books and the memorandum joint venture account.

(15 marks)

(05) (1) Define following terms according to SLAS 19. (Accounting for leases).

- i. Finance lease
- ii. Operating lease

(2) State 3 disclosures that should be made under SLAS 19.

(3) Briefly explain the type of construction contracts.

(10 marks)