



University of Kelaniya – Sri Lanka

External Examinations Branch

Faculty of Commerce and Management

Bachelor of Commerce (Special) Degree First Examination – (External) 2009
October/ November 2010

BCOME 1035 – Financial Accounting

No. of questions: Five (05)

Time: 03 hours

Answer for all questions.

(01) (a) A limited company with its Head Office in Colombo whose branch Office in Galle, which obtain goods from head office. The following information was extracted from books of the branch on 31.03.2010.

	Colombo		Galle	
	Dr.(Rs.)	Cr.(Rs.)	Dr.(Rs.)	Cr.(Rs.)
Stated capital		1,025,000		
Plant & machinery	995,465	-	461,600	-
Furniture	65,000	-	45,000	-
Provision for depreciation (Plant and Machinery)		25,000		17,100
Provision for depreciation (Furniture)		7,000		2,500
Profit & Loss Account on 1.4.2009	-	65,000	-	-
Debtors/Creditors	145,000	125,000	40,000	15,000
Cash in hand	8,500	-	3,700	-
Cash at Bank	12,500	-	7,750	-
Salaries	115,000		37,000	-
Electricity	12,000		6,400	-
Purchases	775,000	-	-	-
Sales		1,011,000		620,000
Provision for unrealized profit (01.04.2009)	-	2,500	-	-
Administration expenses	5,335	-	1,200	-
Goods from H/O/ sent to branch		75,000	64,000	-
Distribution Expenses	86,700	-	12,450	
Current Accounts	70,000		-	52,000
Opening Stocks 01.04.2009	45,000		27,500	
	2,335,500	2,335,500	706,600	706,600

Additional Information

- i). Goods worth Rs. 11,000 had been dispatched by the head office to Galle branch on 27.03.2010 but the goods did not reach till 02.04.2010.
- ii). The branch had sent a bank draft to the head office on 30.03.2010 for Rs. 7000. But the draft reached head office after 31.03.2010.
- iii). Plant & Machinery and Furniture are to be depreciated 10% p.a. and 15% p.a. respectively on reducing balance method.
- iv). Closing stock valued at 31.03.2010 was as follows.

Head Office Rs. 40,000

Branch Rs. 10,500

- v). The goods required by the branch are invoiced by the Head Office to the Branch at cost plus 10%.

You are required to prepare

- a) Trading Profit & Loss Accounts for the year ended 31.03.2010 in columnar form, for
 - i). the head office
 - ii). the branch
 - iii). the business as a whole &
- b) Combine balance sheet as on 31.03.2010

(Total 40 marks)

- (02) On 1st January 2010, Globe press purchased a printing machine from Machinery Ltd. on hire purchase system. A sum of Rs. 30,000 per machine was paid on delivery and the balance was payable in 3 equal annually installments of Rs. 20,000 each payable on 31st December. The interest rate is 12% p.a. The cash value of each machine was Rs. 81,543. Depreciation was provided at 10% p.a. under the straight line method.

You are required to

- a) Show the calculation of Interest and
- b) Write up the necessary accounts in the books of Moon Ltd.

(Total 15 marks)

- (03) a) Akila and Shakila were partners in a joint venture sharing profit and losses equally.

Akila supplies goods to the value of Rs. 50,000 and incurred following expenses

Electricity Rs. 1,500

Rent Rs. 1,750

Travelling Rs. 3,250

Shakila supplies goods to the value of Rs. 14,000 and his expenses amount to Rs. 800. Shakila sells goods on behalf of the joint venture and realizes Rs. 92,000. Shakila entitle to sales commission of 5% on sales.

On 31st March 2010, parties decided to close the books.

You are required to prepare the

- I. Memorandum joint venture account
- II. Each partners accounts in joint venture

(12 marks)

b) State the distinction between joint ventures and the partnership

(03 Marks)
(Total 15 marks)

(04) A, B and C are in partnership sharing profit and losses at the ratio 3:2:2. They decided to dissolve the partnership on 01st March 2010. The extracted balance sheet as at 01st March 2010 is as follows.

Liabilities	Rs.	Assets	Rs.
Capital A	63,000	Land and building	81,000
Capital B	60,000	Plant and Machinery	72,000
Capital C	56,250	Furniture	2,250
Reserve	16,500	Stock	30,000
Sundry Creditors	14,250	Sundry debtors	21,000
		Cash at bank	3,750
	210,000		210,000

i). The assets realized the following amounts.

Land and building Rs.125,250

Plant and Machinery as in the balance sheet

Furniture Rs. 50,000

Stock Rs. 28,500

Debtors as in the balance sheet, subject to Rs. 2000, for bad debts.

ii). Discount amounting to Rs. 575 were allowed by creditors while paying their claims.

iii). The dissolution expenses amounted to Rs. 1,250.

You are required to prepare the accounts necessary to show the result of dissolution.

(15 marks)

(05) a) For each of the following items, indicate which part will be affected.

- i). Depreciation Expense
 - i. Operating
 - ii. Investing
 - iii. Financing

- ii). An increase in Bonds Payable (a long-term liability)
 - i. Operating
 - ii. Investing
 - iii. Financing

- iii). Proceeds from the sale of machinery used in the business
 - i. Operating
 - ii. Investing
 - iii. Financing

- iv). The Loss on the Sale of Equipment
 - i. Operating
 - ii. Investing
 - iii. Financing

- v). Gain on the Sale of furniture used in the business
 - i. Operating
 - ii. Investing
 - iii. Financing

- vi). An increase in the balance in Accounts Payable
 - i. Operating
 - ii. Investing
 - iii. Financing

- vii). Purchase of company's own shares
 - i. Operating
 - ii. Investing
 - iii. Financing

- viii). An increase in the balance in a retailer's Merchandise Inventory
 - i. Operating
 - ii. Investing
 - iii. Financing

- ix). Retirement of long-term Bonds Payable
 - i. Operating
 - ii. Investing
 - iii. Financing

- x). The proceeds from issuing additional Common Stock
 - i. Operating
 - ii. Investing
 - iii. Financing

(10 Marks)

b) State 5 disclosures of cash flow statements according to the Sri Lanka Accounting Standards 09.

(05 marks)
(Total 15 marks)