



UNIVERSITY OF KELANIYA – SRI LANKA

Centre for Distance and Continuing Education

Faculty of Commerce & Management Studies

Bachelor of Commerce (Special) Degree Second Year Examination (External) – 2019

July – 2025

BCOM E 2045 - Advanced Financial Accounting

No. of questions: Three (03)

Answer all questions

Time: 03 hours

Question No. 01

- a) What are the elements of Financial Statements?
(5 Marks)
- b) Why conceptual framework is needed in financial accounting?
(8 Marks)
- c) Explain the qualitative characteristics of the accounting information.
(12 Marks)
- (Total 25 Marks)**

Question No. 02

Maxven Ltd acquired 60% of the net assets of Norwave Ltd on 01.04.2024. At the acquisition date, the fair value of the non-controlling interest was Rs. 1,925,000. You are provided with the individual financial statements of Maxven and Norwave for the year ended 31st March 2025, as follows:

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

	Maxven (Rs.)	Norwave (Rs.)
Revenue	11,872,198	9,118,123
Cost of sales	8,943,751	7,097,913
Gross Profit	2,928,447	2,020,211
Other Income	115,500	3,938
Administrative Expenses	825,330	545,038
Distribution Expenses	899,787	623,700
Operating Profit	1,318,830	855,411
Finance Expenses	283,019	427,833
Profit Before Tax	1,035,811	427,578
Taxation	310,743	128,274
Profit for the year	725,068	299,305

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

	Maxven (Rs.)	Norwave (Rs.)
Stated Capital	5,250,000	2,625,000
Retained earnings		
Balance as at 01.04.2024	1,323,748	1,306,288
Net Profit	725,068	299,305
Dividend Paid	136,500	87,500
	1,912,315	1,518,092
Balance as at 31.03.2025	7,162,315	4,143,092

Statements of Financial Position as of 31st March 2025

	Maxven (Rs.)	Norwave (Rs.)
<u>Assets</u>		
<u>NCA</u>		
Property Plant and Equipment	3,784,613	3,787,132
Investment in Norwave Ltd	2,143,750	
Other Investment	161,875	65,625
	6,090,238	3,852,757
<u>Current Assets</u>		
Inventories	719,775	506,244
Trade debtors	399,657	300,650
Amount due from related party	18,813	
cash and cash equivalent	855,283	577,105
	1,993,527	1,383,999
	8,083,764	5,236,755
<u>Equity and Liabilities</u>		
<u>Equity</u>		
Stated capital	5,250,000	2,625,000
Retained earnings	1,912,315	1,518,092
	7,162,315	4,143,092
<u>Non-Current liabilities</u>		
Interest bearing borrowings	427,993	693,000
<u>Current liabilities</u>		
Interest bearing borrowings	83,825	109,375
Trade Creditors	300,563	252,831
Amount due to related party		1,313
Tax payable	109,069	37,145
	493,457	400,663
	8,083,764	5,236,755

Additional Information

1. During the year Maxven Ltd sold goods to Norwave Ltd valued at Rs. 277,500. The gross profit margin of this transaction was 20%. 40% of such goods remained in Norwave Ltd's inventory as on the date of financial position.
2. On 12.12.2024 Norwave Ltd also sold goods to Maxven Ltd valued at Rs. 185,500. The cost of the goods to Norwave Ltd was Rs. 127,500. 20% of such goods remained in Maxven Ltd.'s inventory as on the date of the statement of financial position.
3. Creditors of Maxven Ltd include Rs. 15,000 of payments to Norwave Ltd arose from trading transactions between two companies. Norwave has recorded the same under their trade debtors.
4. Rs. 17,500 cash payment made by Norwave Ltd on 30th March 2024 as settlement of the amount due to Maxven not being recorded in the books of Maxven Ltd.

You are required to prepare the

- a) Consolidated Statement of Comprehensive Income of the Maxven group for the year ended 31.03.2025
- b) Consolidated Statement of Changes in Equity of the Maxven group for the year ended 31.03.2025
- c) Consolidated Statement of Financial Position of the Maxven group as at 31.03.2025

(Total 40 Marks)

Question No. 03

Zentrolin Ltd Statement of Financial Position and other relevant information as of 31st March 2025

Zentrolin Ltd

Statement of Financial Position and other information as of 31.03.2025 (Rs.)

<u>Assets</u>	Rs.	Rs.
Land	1,050,000	
Building	947,500	
Machinery	325,000	
Inventory	287,500	
Trade Debtors	76,000	
Prepaid Expenses	12,000	
Cash	1,250	

Total Assets		<u>2,699,250</u>
Equity & Liabilities		
10% Preference Share Capital	403,000	
Ordinary Share Capital (75,000 shares at Rs.10 each)	675,000	
Calls in Arrears (600 shares at Rs.3 each)	-1,500	
Reserves as at 31.03.2025	-868,750	
Mortgage Loan (secured on Land)	900,000	
10% Bank Loan (secured on Building)	937,500	
10%, Rs. 100 Debentures secured on a floating charge	75,000	
10% Bank Loan secured on a floating charge	34,000	
Accrued Debenture Interest	3,750	
Staff Salaries Payable (10 months)	248,000	
Trade Creditors	177,250	
Bills Payables	5,000	
Managing Director's Salary (1 month)	100,000	
Tax Payable – 2023/24	5,000	
2024/25	6,000	
Total Equity & Liabilities		<u>2,699,250</u>

On 30th June 2025, the company went into liquidation. As per Section 283 of the Companies Act No. 07 of 2007, the company secretary is required to submit the Statement of Company Affairs and other related documents using the following information:

Additional Information

i. Assets were realized as follows:

- Land: Rs. 1,650,000
- Building: Rs. 900,000
- Machinery: Rs. 275,000
- Inventory: expected to realize 20%

ii. Based on collection status, trade debtors are classified as:

- Good: Rs. 30,000
- Doubtful: Rs. 15,000 (expected to realize 60%)
- The remainder is considered bad.

iii. Prepaid expenses represent rent to the office owner, who agreed to refund Rs. 6,000.

iv. Calls in arrears are expected to realize Rs. 1,200.

v. One employee has filed a compensation claim of Rs. 90,000, which has not yet been recorded in the books.

vi. Liabilities will be settled as follows:

- Trade Creditors: Rs. 215,000

- Managing Director's Salary: Rs. 80,000
- All other liabilities are to be settled in full.

vii. The retained earnings balance as at 31 March 2025 consists of the following:

- Retained earnings balance as at 01 April 2020: Rs. 375,000
- Dividends of Rs. 60,000 have been paid annually from 2020/21 to 2024/2025
- In 2020/21, the company made a net profit of Rs. 120,000 and a stock loss of Rs. 10,000
- In 2021/22, 2022/23, 2023/24, and 2024/25, the company incurred trading losses of Rs. 230,000 Rs. 270,000, Rs. 250,000, and Rs. 373,750, respectively.

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

- a) Statements of Company affairs
- b) Deficiency or Surplus Account

(Total 35 Marks)

