



University of Kelaniya – Sri Lanka

External Examinations Branch

Faculty of Commerce and Management

Bachelor of Commerce (Special) Degree Examination (External) – 2009

Year II

October/ November 2010

BCOME E 2045 – Advanced Financial Accounting

No. of questions: Five (05)

Time: 03 hours

Answer all questions.

(01) The following balance sheets were taken from A Ltd. and B. Ltd. as at 31/12/2009.

	(Rs. 000')	
	A Ltd.	B Ltd.
Property, Plant & Equipment	19,000	12,000
(-) Accumulated depreciation	<u>(3,000)</u>	<u>(4,000)</u>
Written Down value	16,000	8,000
Investment in B Ltd.	10,000	-
Current Assets	<u>5,000</u>	<u>4,000</u>
	<u>31,000</u>	<u>12,000</u>
<u>Equity and liabilities</u>		
Stated capital	23,000	8,500
Retained profit	4,000	2,500
Liabilities	<u>4,000</u>	<u>1,000</u>
	<u>31,000</u>	<u>12,000</u>

You are provided the following information.

- A Ltd. acquired 80% of B Ltd. on 31st December 2008, when the profit was Rs. 1,500,000.
- During the year ended 31st December 2009 A Ltd. has sold Rs. 20,000 worth of goods to B Ltd. keeping a profit margin of 25% on cost. This value is included in the debtors and creditors accounts of both companies.
- On the balance sheet date 50% of above items are unsold. These stocks are included in the B Ltd. closing stock as at 31st December 2009.

You are required to prepare consolidated Balance sheet as at 31st December 2009.

(30 marks)

(02) The following are the extracts of the income statements of Alpha Ltd. & Beta Ltd. for the year ended 31.12.2009.

	(Rs. 000')	
	<u>Alpha</u>	<u>Beta</u>
Sales	6,244	2,792
Cost of sales	<u>(4,683)</u>	<u>(1,860)</u>
Gross Profit	1,561	932
Distribution Expenses	(238)	(228)
Administration Expenses	<u>(862)</u>	<u>(484)</u>
Profit before tax	461	220
Tax	<u>(126)</u>	<u>(45)</u>
Profit after tax	335	175
Interim dividend	<u>(50)</u>	—
Retained profit	285	175
Balance B/F	<u>521</u>	<u>(20)</u>
Accumulated profit	<u>806</u>	<u>155</u>

Additional information are as follows.

- 1) Alpha Ltd. acquired 80% of Beta Ltd. on 31.12.2008.
- 2) During the year ended 31.12.2009 Beta ltd. sold goods to Alpha for Rs. 600,000 at cost plus 20%. One fifth of these goods remain with Alpha on 31.12.2009.

You are required to prepare consolidated Income Statement for the year ended 31.12.2009.

(30 marks)

(03) The balance sheets & profit and loss account of Gap Limited are given below.

Gap Ltd.		
Balance sheets as at		
	<u>31.03.2010</u>	<u>31.03.2009</u>
	<u>(Rs. 000')</u>	<u>(Rs. 000')</u>
Property, Plant & Equipments	628	514
<u>Current Assets</u>		
Inventories	114	120
Trade Receivables	168	145
Cash	<u>107</u>	<u>92</u>
Total Assets	<u>1,017</u>	<u>871</u>
<u>Equity & Liabilities</u>		
Stated capital (Rs. 10 each)	320	260
Revaluation Reserve	110	100
Accumulated Profit	<u>314</u>	<u>282</u>
	744	642
<u>Non Current Liabilities</u>		
10% Debentures	80	50

Current Liabilities

Trade creditors	136	121
Tax payable	39	28
Accrued Expenses	18	16
Bank overdraft	<u>-</u>	<u>14</u>
Total Equity & Liabilities	<u>1,017</u>	<u>871</u>

Gap Limited
Profit & Loss account for the year ended 31.03.2010

	<u>(Rs. 000')</u>
Revenue	600
Cost of sales	<u>(318)</u>
Gross Profit	282
Other expenses (including depreciation Rs. 42,000)	<u>(195)</u>
Profit before tax	87
Tax	<u>(31)</u>
Profit after tax	56
Dividends	<u>(24)</u>
Retained profit for the year	<u>32</u>

Additional information,

- There have been no disposals of property, plant and equipments during the year.

You are required to prepare cash flow statement for the year ended 31.03.2010.

(25 marks)

(04) A company decided to issue 50,000 ordinary shares at Rs. 20 each. The money was payable as follows.

On application Rs. 10

On allotment Rs. 5

On call Rs. 5

Applications were received for 80,000 shares and company decided to reject 10,000 applications from that. Remain were allotted on pro-rata basis.

A shareholder who applied 7,000 shares failed to pay the call money, the remainder of call money and allotment money was paid in fully.

You are required to prepare necessary ledger accounts to show above transactions.

(10 marks)

(05) Define following according to the company Act No. 07 of 2007.

I. Solvency Test

II. Stated Capital

(05 marks)