



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) – 2015

March/ April 2021

BCOM E2045 – Advanced Financial Accounting

No. of questions: Five (05)

Time: 03 hours

Answer all questions.

Question No. 01

- 1) Statements of Comprehensive Income of P Ltd and S Ltd for the year ended 31st March 2019 were as follows:

Statements of Comprehensive Income for the year ended 31st March 2019.

	P Ltd (Rs.)	S Ltd (Rs.)
Revenue	1,588,000	987,000
Cost of sales	1,166,000	685,000
Gross Profit	422,000	302,000
Dividend Income	7,850	5,625
Administrative Expenses	90,000	30,000
Distribution Expenses	30,000	10,000
Operating Profit	309,850	267,625
Finance Expenses	8,000	3,000
PBT	301,850	264,625
Taxation	44,000	37,000
Profit for the year	257,850	227,625

Statements of Changes in Equity for the year ended 31st March 2019.

	P Ltd (Rs.)	S Ltd (Rs.)
Stated Capital	5,000,000	3,750,000
Retained earnings		
Balance as at 01.04.2018	1,574,000	482,000
Net Profit	257,850	227,625
Dividend Paid	(9,500)	(8,750)
	1,822,350	700,875
Balance as at 31.03.2019	6,822,350	4,450,875

Statements of Financial Position as of 31st March 2019

	P Ltd (Rs.)	S Ltd (Rs.)
<u>Assets</u>		
<u>NCA</u>		
PPE	2,100,000	2,764,000
Investment – S Ltd	3,000,000	
Other	1,250,000	750,000
	6,350,000	3,514,000
<u>Current Assets</u>		
Inventories	400,000	610,875
Debtors	195,000	250,000
Current Account – S Ltd	17,350	
Cash and Cash equivalent	10,000	155,000
	622,350	1,015,875
	6,972,350	4,529,875
<u>Equity and Liabilities</u>		
<u>Equity</u>		
Stated capital	5,000,000	3,750,000
Retained earnings	1,822,350	700,875
	6,822,350	4,450,875
<u>Current liabilities</u>		
Trade Creditors	150,000	75,000
Current Account – P Ltd		4,000
	150,000	79,000
	6,972,350	4,529,875

Additional Information

1. P Ltd acquired 80% of net assets of S Ltd on 01.04.2018
2. During the year P Ltd sold goods to S Ltd valued @ Rs. 50,000. (Profit margin is 25%) 40% of such goods remained in S's inventory at end of the year.
3. During the year S Ltd sold goods to P Ltd valued @ Rs. 25,000. The cost of the goods to S was Rs. 20,000. 20% of such goods remained in P's Inventory at the end of the year.
4. The reason for the difference in current account is a cash payment done by S Ltd to P on 31.03.2019
5. Debtors of P Ltd include Rs. 10,000 which is due from S Ltd.

You are required to prepare the Group financial statements for 31st March 2019.

(Total Marks 30)

Question No. 02

Given below is the financial information of the Mac group for the year to 31.03.2019.

Consolidated Statement of Comprehensive Income for the year ended 31.03. 2019.

	Rs. Mn
Gross Profit	9,300
Depreciation	(900)
Administration and Selling and other expenses	(1,540)
Interest Expenses	(800)
Investment Income	<u>1,000</u>
Net Profit before Tax	7,060
Taxes on Income	<u>(600)</u>
Net Profit	<u>6,460</u>

Consolidated Statements of Financial Position (Rs. Mn)

	31.03. 2019	31.03.2018
<u>Assets</u>		
Property, Plant & Equipment at cost	4,560	1,700
Portfolio Investments	5,000	5,000
Inventory	2,000	3,900
Accounts receivable	3,800	2,400
Cash & Cash equivalents	<u>820</u>	<u>320</u>
	<u>16,180</u>	<u>13,320</u>
<u>Equity & Liabilities</u>		
Stated Capital	3,000	2,500
Retained earnings	6,820	2,760
Long Term Debts	4,600	2,080
Income Tax Payable	800	2,000
Interest Payables	460	200
Trade Payables	<u>500</u>	<u>3,780</u>
	<u>16,180</u>	<u>13,320</u>

Additional Information

1. During the year all of the shares of a subsidiary were acquired for Rs.1, 180 million. The fair values of assets acquired, and liabilities assumed were as follows.

	Rs. Mn
Property, Plant & Equipment	1,300
Inventories	200
Accounts receivables	200
Cash	80
Long Term Debts	400
Trade Payables	200

2. Dividend paid was Rs. 2,400 million.
3. During the year, the group acquired property, plant and equipment with an aggregate cost of Rs.2, 500 million of which Rs.1, 800 was acquired by means of finance leases. Cash payment of Rs.700 million was made to purchase property, plant & equipment.
4. Plant with original cost of Rs.160 million and accumulated depreciation of Rs. 120 million was sold for Rs. 20 million.

You are required to prepare consolidated cash flow statement for the year ended 31.03. 2019 using indirect method for the investor group.

(Total Marks 20)

Question No. 03

Savi Ltd. who incorporated their business on 15.06.2013 decided to liquidate their company on 30th May 2019. The following dates were important to them on this regard.

- They prepared their last statement of financial position on 31st March 2019.
- The company submitted the statement of company affairs together with deficiency/surplus account on 30th May 2019.
- The company expected to be realized its assets and settle the liabilities and other payments on 30th June 2019.
- The company's assets actually realized on 31st July 2019 and the liquidator took necessary actions to settle the liabilities and other payments on same date.

In addition to above information, you have been provided followings.

I. Book values realized values and settlement values of assets and liabilities were as follows.

Assets & Liabilities	Values as on 31/03/2019 (Rs.000')	Values as on 30/05/2019 (Rs.000')	Values as on 30/06/2019 (Rs.000')	Values as on 31/07/2019 (Rs.000')
Land	32,000	33,500	34,200	34,700
Buildings	6,000	6,000	4,800	4,700
Motor Vehicles	8,000	8,200	8,300	8,350
Furniture	2,700	2,200	2,200	2,350
Stock	1,450	1,380	1,300	1,270
Trade Receivables	760	730	730	720
Prepaid Expenses	300	300	300	260
Cash	40	40	40	40
10%, Bank Loan secured on Land	10,000	10,000 + Accrued Interest	10,000 + Accrued Interest	10,000 + Accrued Interest
12% Bank Loan secured on Building	5,000	5,000 + Accrued Interest	5,000 + Accrued Interest	5,000 + Accrued Interest
10%, Rs.100, Debentures	8,000	8,000 + Accrued Interest	8,000 + Accrued Interest	8,000 + Accrued Interest
Trade Creditors	350	350	360	360
Compensation to workers	760	760	760	760
Accrued Salary (for 6 months)	1,200	1,200	1,200	1,200
EPF and ETF Payables	425	425	425	425
Accrued Director's salary	200	190	190	190
Income Tax Payables				
2017/2018	30	30	30	30
2018/2019	10	10	10	10
VAT payables				
2017/2018	40	40	40	40
2018/2019	50	50	50	50

II. Stated Capital was as follows.

100,000 Preference Shares Rs.100 each – Rs.10,000,000

200,000 Ordinary Shares Rs.100 each, – Rs.20,000,000

III. Calls in arrears on 31/03/2019 – Rs.300,000 and estimated to realized Rs.200,000.

IV. Reserves balance as at 31st March 2019 occurred as a result of followings reasons.

2015/2016 –Company had Rs.490,000 retained earnings balance and Rs.50,000 general reserve. They declared Rs.80,000 ordinary share dividends and Rs.100,000 preference shares dividends.

2016/2017 – Company earned Rs.200,000 net profit and incurred Rs.20,000 stock loss during the year. Company declared Rs.50,000 preference shares dividends and Rs.100,000 ordinary shares dividends.

2017/2018 – Company incurred Rs.1.300,000 net loss and declared Rs.100,000 preference shares dividends.

2018/2019 – Company incurred Rs.3,405,000 net loss and incurred Rs.100,000 preference shares dividends.

V. There is a contingent liability for legal case payment of Rs.30,000 and estimated to settle Rs.35,000.

VI. Company identified that there is an unrecorded equipment which has Rs.40,000 realizable value.

You are required to prepare,

- a) Statement of Company Affairs
- b) Deficiency or Surplus Account

(Total 30 Marks)

Question No. 04

City Ltd went into liquidation on 31.03.2019 and they had following statement of financial position on that date.

City Ltd
Statement of Financial Position as at 31.03.2019 (Rs.)

<u>Assets</u>		
Land & Building	1200,000	
Machinery	580,000	
Furniture	420,000	
Stock	243,000	
Trade Debtors	196,000	
Cash	<u>37,000</u>	<u>2,676,000</u>

Equity and Liabilities

Stated Capital		
10,000, 10%, Preference Shares of Rs.100 each	500,000	
10,000, Equity Shares of Rs,100 each (paid Rs 80)	800,000	
10,000, Equity Shares of Rs.100 each (Rs.30 paid)	300,000	
Reserves	(622,000)	
10% Loan secured by a Land and Building	800,000	
14% debentures secured on a floating charge	100,000	
Trade Creditors	724,000	
Accrued Salaries and Wages (3 months)	57,000	
Accrued Electricity Bill	14,000	
Tax 2018/2019	3,000	
		<u>2,676,000</u>

Additional Information

- I. Liquidator realized all the assets on 31.07.2019 and all the liabilities settlements and equity settlements has been made on the same date.
- II. The assets were realized as follows.

	Rs.
Land & Building	900,000
Machinery	250,000
Furniture	432,000
Stock	180,000
Trade Debtors	175,000

III. The expenses of liquidation amount to Rs.14,000.

IV. The liquidator is entitled to a commission of 3% on all assets realized except cash & a commission of 2% on amounts distributed among unsecured creditors.

V. Company can call balance amount from the shareholders to settle liabilities and stated capital.

You are required to prepare, Liquidator's statement of Account.

(Total 10 Marks)

Question No. 05

a). Briefly explain the bases of Financial Asset Classification according to SLFRS 9-Financial Instruments

(04 Marks)

b). Define followings according to SLFRS 9- Financial Instruments

- i). Financial Instrument
- ii). Financial Asset
- iii). Contract

(02 Marks each)

(Total 10 Marks)