University of Kelaniya - Sri Lanka

Centre for Distance and Continuing Education

Faculty of Commerce & Management Studies

Bachelor of Business Management (General) Degree First Examination (External) – 2024

April/ May – 2026

BMGT 18025 – Financial Accounting

No. of Questions: Five (05) Time: 03 hours

Answer all Questions

Only unprogrammed calculators are permitted

Question No. 01

a) Explain the difference between financial accounting and management accounting.

(02 Marks)

b) Discuss the importance of the Going Concern Concept and explain how it affects financial reporting.

(02 Marks)

c) Identify the accounting concepts applicable to the following situations,

i) Recording inventory at the lower of cost or net realizable value

ii) Charging depreciation annually

iii) Preparing financial statements at the end of each year

(06 Marks)

(Total 10 Marks)

Question No. 02

Mr. Perera started a new business on 1 January 2026. The following transactions were taken place during the month of January 2026.

No	Date	Transaction
01.	1st January 2026	Started the business by investing Rs. 500,000 in cash and Rs. 6,000,000 worth of building in the business.
02.	2nd January 2026	Started a bank account by depositing Rs. 350,000 from the cash of the company.
03.	4th January 2026	Obtained bank loan of Rs. 2,500,000 for the business
04.	6th January 2026	Purchased the inventory worth of Rs. 1,500,000 from ABC Company. Rs. 800,000 was paid by a cheque and rest has to be paid within one month.
05.	8th January 2026	Sold stocks costing Rs. 800,000 for Rs. 1,000,000 on cash.
06.	15th January 2026	Sold Rs. 450,000 worth of inventory items to XYZ Company by keeping 25% profit markup.
07.	10th January 2026	Mr. Perera has taken goods costing of Rs.25,000/- for his personal use.
08.	20th January 2026	XYZ Company returned Rs. 20,000 worth of goods. The cost of this inventory is, Rs. 16,000
09.	24th January 2026	Rs. 250,000 was received from XYZ Company.
10.	25th January 2026	Paid Rs.300,000/- as staff salary for the month of January 2021.
11.	28th January 2026	50% of the payable balance to ABC company was paid by a cheque.
12.	31st January 2026	Made the following payments by cheques. Electricity bill of the company: Rs. 12,000 Telephone bill of the company: Rs. 8,500 Electricity bill of Mr. Perera's house: Rs. 6,000

You are required to:

Record the impact of the above transactions on the following Accounting Equation.

Assets = Liabilities + Equity + Income - Expenses

(Total 15 Marks)

Question No.03

Aakriti and Akash are partners sharing profits in the proportion of 3:2. The undermentioned trial balance was extracted from their books on 31st December 2025.

Trial Balance as on December 31, 2025

	Rs.	Rs.
Aakriti's capital		65,000.00
Akash's capital		40,000.00
Aakriti's drawings	4,000.00	
Akash's drawings	3,000.00	
Goodwill	10,000.00	
Plant and Machinery	40,000.00	
Office Furniture	5,000.00	
Purchases	85,000.00	
Sales		160,000.00
Sundry Debtors	40,500.00	
Sundry Creditors		14,510.00
Returns Inwards and Outwards	1,500.00	2,500.00
Rent	3,750.00	
Postage and Telegrams	500.00	
Advanced Advertising Expenditure	9,000.00	
Opening stock	11,500.00	
Cash in hand	16,000.00	
Wages	14,000.00	
Telephone Charges	500.00	
Salaries to staff	12,250.00	
Printing and Stationery	750.00	
Commission	5,000.00	
Travelling Expenses	2,000.00	
Carriage Inwards	5,800.00	
Motor Van	20,860.00	
Bills payable		8,900.00
	290,910.00	**290,910.00**

Additional information

The following adjustments are to be made:

i. The value of stock on 31st December 2025, was Rs. 12,500.

ii. Depreciation for office furniture is Rs. 250, and depreciate 10% on plant and machinery and 20% on motor van.

iii. Write off 1/5th of the advertising expenses.

iv. Partners are entitled to interest on capital at 5% p.a. and Akash is entitled to a salary of Rs. 1,800 p.a.

You are required to prepare the **Statement of Profit and Loss** for the year ended 31st December 2025, and **Statement of Financial Position** as at that date.

(Total 20 Marks)

Question No. 04

The trial balance of Rumega PLC as at 31st December 2025 is as follows;

	Rs.'000	
	Debit	**Credit**
Property, plant and equipment - at cost		
Land	250,000	
Buildings	125,000	
Furniture and equipment	85,800	
Motor vehicles	75,600	
Accumulated depreciation as at 1st January 2025		
Buildings		85,000
Furniture and equipment		56,500
motor vehicles		27,800
inventory as at 1st January 2025	44,500	
Income tax payable	750	
Trade receivables/Trade payables	261,240	147,389
Investment	50,000	
Cash at bank	21,280	
Stated capital (40,000 shares)		400,000
Retained earnings		147,956
Purchases/Sales	412,795	829,070

Administrative expenses	173,672	
Selling and distribution expenses	186,503	
Finance cost	6,575	
	1,693,715	**1,693,715**

Additional information

1. The cost of inventory held as at 31 December 2025 was Rs. 31,570,000. The expected selling price of the closing inventory is Rs. 32,525,000 and the related selling costs would be Rs. 27,000.

2. The company has invested Rs. 50,000,000 in a two year fixed deposit on 1 July 2025 at the rate of 12% p.a. However the interest income for the current financial year had not been recognized.

3. The property, plant and equipment should be depreciated as follows.
   a. Buildings: 50 years
   b. Furniture and equipment: 10 years
   c. Motor vehicles: 6 years

4. The company had revalued its land and buildings on 31 December 2025 (Purchased in 31 December 2007) to Rs. 440 million (out of which 40% of the value related to the buildings). It was further assessed that there would be no changes to the remaining useful life time of the asset. No adjustments were made in the financial statements based on the revaluations.

5. The details of actual expenses for the month of December for utilities were received subsequently, amounting to Rs. 257,000. The company had not accrued these expenses.

6. In the last financial year the company had made a tax provision of Rs. 12,000,000. However with the final tax payment, the company had to pay Rs. 12,750,000 and the difference appeared in the tax payable account in the trial balance. The company's estimation on the current year tax liability is Rs. 12,522,000.

7. The company has entered into a lease agreement on 31 December 2025 to acquire a lorry with a fair value of Rs. 6,552,000. At the end of the lease term the lorry will be owned by the company.
    a. The lease term: 6 years
    b. Value of the annual instalment: Rs. 1,672,866 payable from 31 December 2026.
    c. The interest rate implicit in the lease: 13.75% per annum
    d. The useful life time of the asset: 7 years.
    e. The present value of the minimum lease payment: Rs. 6,550,000

    However no records had been made in the books of accounts with respect to the lease arrangement.

Required:

1. Prepare the Statement of Comprehensive Income of Rumega PLC for the year ended 31st December 2025.
2. Prepare the Statement of Financial Position of Rumega PLC as at 31st December 2025.
3. **Compile** the required accounting notes of Nimal PLC for the year ended 31st December 2025.

(Total 40 Marks)

Question No. 05

The following information has been extracted from the financial statement of Nimal PLC.

For the year ending 31.03.2024	**Rs.'000**
Sales	9,000
Gross profit	3,200
Operating expenses	1,200
Interest expenses	200
Income tax expenses for the year	450
Interim dividends paid to the ordinary shareholder	300
As at 31.03.2024	
Inventory	1,100
Trade debtors	1,400
Stated capital – Ordinary share (Number of shares – 150000)	3,000

Additional information:

i) All sales are done on credit basis.

ii) Inventory as at 01.04.2023 was 900,000.

iii) Trade debtors as at 01.04.2023 was 1,600,000.

iv) A few selected ratios for year ending 31.03.2023 are as follows.

a.	Gross profit ratio	38%
b.	Net profit ratio	12.5%
c.	Inventory turnover ratio	6 times
d.	Debtor turnover ratio	5.5 times
e.	Earnings per share	Rs 7.50
f.	Dividends per share	Rs. 2.50

Required:

The following ratios for the year ending 31.03.2024.

i) Gross Profit ratio

ii) Net profit ratio

iii) Inventory turnover ratio

iv) Debtor turnover ratio

v) Earnings per share

(Total 15 Marks)