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) – 2011

BMGT E 1025 – Business Accounting

No of questions – 05 Time: 03 Hours

Answer all questions
Calculators are allowed

(01) a) Describe three qualitative characteristics of financial statements with examples.

(02 marks)

b) Mention users of financial information with their information needs.

(03 marks)

c) Record the following transactions using the accounting equation.

i) A sale of Rs 2,000 worth of goods for Rs 2,500

ii) Goods drawings by the owner amounting to Rs 1,000 **(02 marks)**

d) A company has recorded a net profit after tax of Rs 300,000. There are 200,000, 2% preference shares of Rs 10 each and 100,000 ordinary shares of Rs 10 each. If no dividend has paid to ordinary shareholders during the year and balance profit is transferred to reserves, Calculate how much of profit will be transferred to reserves during the year.

(01 marks)

e) Monthly petty cash float of a company is Rs 2,000 & if Rs 1,400 was spent during the month, How much will be reimbursed at the end of the month.

(01 mark)

f) Settlement by a debtor of Rs 2,200 has been recorded as a sundry income in the accounts. Calculate the effect on the suspense account due to this transaction and write the journal entry to rectify the error.

(01 mark)

g) Purchase and sales details of a company are given below.

Purchases

25th December 2011	200 units	Rs 25/ each
20th January 2012	1000 units	Rs 20/ each.
25th February 2012	500 units	Rs 20/ each
30th March 2012	300 units	Rs 30/ each

Sales

28th December 2011	50 units	Rs 50/ each
26th January 2012	600 units	Rs 50/ each.
25th February 2012	200 units	Rs 40/ each
30th March 2012	100 units	Rs 40/ each

If goods are been valued on FIFO basis, Calculate the value of the closing stock as at 31st March 2012.

(02 marks)

h) Blok Ltd. has purchased raw material for Rs 100,000 and received a rebate of 2% on invoiced value. Import duty paid amounted to Rs 20,000 of which 5,000 can be taken as a tax credit by Blok Ltd. Clearing charges paid to the agent amounted to Rs 7,000. Raw materials were stored at a rented warehouse incurring Rs 3,000 as rent and Rs 2,000 as watchman's salary. You are required to calculate the cost of raw material.

(02 marks)

i) Following details are provided to determine the carrying value of the fixed assets. Cost of an asset Rs 200,000, Accumulated depreciation Rs 60,000, Value in use as determined by the management Rs 150,000, Fair value of the asset is estimated as Rs 140,000 and selling expenses were Rs 10,000.

(02 marks)

j) Machinery was acquired in January 2008 at a cost of Rs 200,000. Residual value estimated to be 20,000. Useful life 10 years. After three years, in January 2011 this asset was classified as asset held for sale. On this day, Fair Value was estimated as Rs. 80,000 and brokerage charges as Rs 4,000. The asset was sold on June 30th 2011 for Rs. 96,000.

You are required to calculate the value of the machinery to be shown in the books of accounts as at January 2011 and to calculate the profit/loss on disposal of the asset in June 2011.

(04 marks)

k) Mega Ltd offered 200,000 ordinary shares to public at Rs. 11 each and the payment is to be made as follows.

Application	Rs.3
On allotment	Rs.5
On first and final call	Rs.3

Application totaled 400,000 shares and shares were allotted on a pro rata basis. Aruna who had applied for 4,000 shares and to whom 2,000 shares had been allotted failed to pay the balance of allotment money due from him. His shares were transferred to Taruna at Rs. 8 per share. Expenses of this transfer of shares were Rs. 4,000. Ranga, another shareholder, failed to pay the call money on 1,000 shares held by him. Later, these shares were transferred to Amal at Rs. 12 per share and it was incurred an expense of Rs. 4,300 on transfer of shares.

You are required to prepare the journal entries for above transactions.

(05 marks)

(Total 25 marks)

(02) (a) **Pin Ltd** acquired 75% net assets of **Qin Ltd** on 15th December 2007 for Rs.900,000 when Qin Ltd's retained earnings was Rs.165,000. The Statement of Financial Positions of two companies as at 31st March 2013 is as follows.

	Pin Ltd Rs.	Qin Ltd Rs
Non Current assets	315,000	635,000
Investment in **Qin Ltd**	900,000	-
Current assets	410,000	246,000
	1,625,000	**881,000**
Equity		
Ordinary share capital	900,000	225,000
Retained earnings	423,000	615,000
	1,323,000	**840,000**
Liabilities	302,000	41,000
	1,625,000	**881,000**

Other information

- Pin Ltd sold goods to Qin Ltd during the year at cost plus 25%. At the year end the closing inventory of Qin Ltd includes Rs.8,000 of goods, at invoice value, acquired from Pin Ltd
- It has estimated that the goodwill is impaired by 10%.

You are required to Prepare,

(i) The consolidated Statement of Financial Position of Pin Ltd as at 31st March 2013

(Total 20 Marks)

(03) (a) Pawan Limited has a branch in Matara to which it invoices goods at cost. The branch maintains a separate set of books, but entries relating to branch fixed assets are made in the head office books.

The following information is given in respect of Matara branch for the year ended 31 March 2013.

	01/04/2012	31/03/2013
Head office account (agreed with branch A/C in the books of H/O)	250,000	-
Trade debtors	377,000	335,000
Trade creditors	117,000	113,000
Inventories	73,000	84,000

Transactions during the year is as follows

Cash collected from debtors for the year	1,069,000
Cash paid to creditors for the year	632,000
Branch expenses for the year	110,000
Purchase of machinery (1st April 2012)	250,000
Goods from head office for the year	192,000
Cash remitted to head office during the year	333,000

Other information

(i) Depreciation policy of the branch is to charge 10% of depreciation on the machineries and to charge 12% depreciation on Furniture of the branch based on straight line method. Branch has Rs.72,000 worth of furniture in their premises.

(ii) Head office has incurred Rs. 24,000 of expenses relating to Matara branch.

(iii) Goods in transit to branch and cash in transit from branch to head office as at 31st March 2013 were Rs.33,000 and Rs.43,000 respectively

You are required to prepare,

(a) Branch current account as at 31st March 2013 as appearing in the books of head office

(06 Marks)

(b) Head office current account as at 31st March 2013 as appearing in the books of branch

(06 Marks)

(c) Calculate the branch net profit for the year ended 31st March 2013 **(03 Marks)**

(Total 15 Marks)

(04) (a) Amal, Kamal and Nimal were partners sharing profits and losses in the ratio 1:1:3.The Statement of financial position as at 31st December 2013 was as follows:

Fixed Assets		**Cost**	**Acc. Dep**	**NBV**
Buildings		180,000	10,000	170,000
Motor Vehicles		27,500	5,500	22,000
		207,500	15,500	192,000
Current Assets				
Stock			68,250	
Debtors			171,235	
Cash and Bank			26,065	
			265,550	
Less: Current Liabilities				
Creditors			(60,000)	
Working Capital				205,550
				397,550
Capital Account:	Amal		100,000	
	Kamal		40,000	
	Nimal		140,000	280,000
Current:	Amal		30,000	
	Kamal		(10,000)	
	Nimal		70,000	90,000
Reserve				20,000
Long – term liabilities				
Loan from Nimal				7,550
				397,550

As at 01st of January 2014, partners have decided to dissolve the partnership. At that date, assets were realized and liabilities were settled as follows

- The Buildings were sold at Rs. 220,000 and legal charges from the sale amounted to Rs.11,500
- Nimal took over the stock and motor vehicles at book value
- All the debts were collected except from Sunil who is a Rs.2,500 worth debt holder
- The creditors were discharged for Rs.56,000
- Realization expenses of Rs.10,000 were paid

You are required to prepare the following accounts as at 01st January 2014

(i) Realization account

(ii) Bank account and

(iii) Capital account

(Total 15 Marks)

(05) The following trail balance is extracted from the books of Kumudu PLC for the year ended 31st March 2013.

	Rs.	Rs.
Land and buildings	2,750,000	-
Office equipments	120,840	-
Motor vehicles	246,960	-
Provision for depreciation as at 01/04/2012	-	
Buildings		187,500
Office equipments		54,378
Motor vehicles		59,270
Sales	-	9,690,000
Cost of sales	5,053,680	-
Inventories at cost	405,360	-
Trade and Other Receivables	951,240	-
Cash balance	41,370	-
Distribution expenses	915,240	-
Administrative expenses	722,560	-
Discount received	-	180,000
Financing costs	727,200	-
Rent income	-	480,000
Stated Capital (at Rs.12 each)	-	1,305,600
Revenue Reserve	-	1,706,880
Investments	3,583,588	
Provision for income tax as at 01.04.2012	-	96,000
Income tax payments	-	-
For the Y/A 2011/2012	90,000	-
For the Y/A 2012/2013	42,000	-
Long term Borrowings	-	1,005,600
Short term Borrowings	-	277,530
Trade and Other Payables	-	456,800
Bank Overdrafts	-	150,480
Total	**15,650,038**	**15,650,038**

Other information

(i) The net realizable value of the inventory as at 31st March 2013 is estimated as Rs.397,000 .

(ii) The value of the investment as at 05th of April 2013 is amounted to Rs.3.6 Million.

(iii) Estimated income tax liability for the Y/A 2012/2013 amounts to Rs 100,000 & total income tax liability for the Y/A 2011/2012 has been fully paid.

(iv) A dismissed employee has filed a case against the company, requiring a compensation of Rs. 200,000. The lawyers of the company are on the opinion that, the company will have to pay compensation.

(v) Cost of the buildings belongs to the company amounted to Rs. 750,000 and it should be depreciated at 10% on straight line basis. The Office Equipments and Motor Vehicles should be depreciated at 15% and 12% respectively on reducing balance method.

(vi) The revalued amount of the land as at 31st March 2013 amounted to Rs. 2.15 Million. This has not recorded in the books of the company.

You are required to prepare the following for the purpose of publication of Kumudu PLC,

a) Statement of comprehensive income for the year ended 31st March 2013
b) Statement of Changes in Equity for the year ended 31st March 2013
c) Statement of financial position as at 31st March 2013

(Total 25 Marks)

end of the paper