



**UNIVERSITY OF RUHUNA**  
**FACULTY OF MANAGEMENT AND FINANCE**  
**Bachelor of Business Administration Degree Programme 1000 Level Semester I**  
**End Examination (Repeat) September/October 2020**  
**Academic Year 2019/2020**

**BBA 1102 – Financial Accounting**

**Duration: Three hours**

**The Question Paper contains four (04) questions.**

**Instructions:**

- **Answers all questions.**
- **Calculators are allowed.**
- **Relevant workings should be attached to the answer script.**

**Question No. 01**

The following Trial Balance has been extracted from the books of *Repeat Company* as at 31 March 2020.

<b>Descriptions</b>	<b>Dr. (Rs. '000)</b>	<b>Cr. (Rs. '000)</b>
<b>Property , Plant &amp; Equipment at cost as at 31<sup>st</sup> March 2020 and their Accumulated depreciation as at 1<sup>st</sup> April 2019</b>		
Land	6,000	-
Buildings	5,000	1,000
Motor vehicles	7,000	2,000
Office equipment	5,000	1,000
Cost of sales and Sales	20,000	41,000
Trade receivables and trade payables	8,000	3,000
Inventories	5,000	
Administration expenses	3,000	
Distribution expenses	5,000	
Other expenses	1,000	
Finance expenses	1,000	
Paid Tax	1,000	
Paid ordinary share dividend	1,000	
Cash at bank	3,000	
Stated Ordinary Share Capital		11,000
Redeemable Preference Share Capital		3,000
Retained earnings as at 01 <sup>st</sup> April 2015		4,000
12% Bank loan		3,000
Provision for doubtful debts as at 01 <sup>st</sup> April 2019		1,000
Other income		1,000
	<b>71,000</b>	<b>71,000</b>

**The following additional information is available:**

**1. Inventories**

Closing inventories includes the followings as at 31<sup>st</sup> March 2020.

- a) Goods valued at Rs. 01 million were purchased on 31<sup>st</sup> January 2020 at Rs. 10 per unit. These goods have been identified as non-moving items and could be sold at Rs. 08 per unit.
- b) An inventory sent on a 'sale or return' basis at a marked value of Rs.500, 000 was treated as sales and the company has kept 25% profit margin on cost.

**2. Bank loan.**

12% bank loan is repayable in equal monthly installments of Rs. 50,000 each with interest computed on loan balance outstanding up to the date of each installment payment. Each installment is payable at the last day of each month. Provision is yet to be made for March 2020 installment.

**3. Property, Plant & Equipment.**

- a) On 01<sup>st</sup> October 2019 a new motor vehicle was purchased for Rs. 1.2 million. In purchasing that vehicle an old vehicle which was purchased on 01<sup>st</sup> October 2014 at a cost of Rs. 1 million was part exchanged for Rs. 200,000. In order to pay the balance a bank loan was obtained at an interest rate 12% per annum. The bank loan of Rs.01 million had been debited to motor vehicle account as the cost of new vehicle and credited to bank loan account, except this no other entries have been made in this regard.
- b) Office equipment purchased on 01<sup>st</sup> January 2017 for Rs. 1.6 million has been disposed on 01<sup>st</sup> January 2020 for Rs.1.2 million. Cash received from sales have been debited to bank account and credited to sales account. No other entry had been made in the accounts in this regard.
- c) The land and buildings of the company were revalued on 31<sup>st</sup> March 2020 and revalued amounts as per the valuation report are as follows. No entries have been passed yet in respect of current year revaluation.

<i>Land ( Rs. '000)</i>	<i>Buildings ( Rs. '000)</i>	<i>Re- assessed remaining useful life of the building.</i>
7,000	4,250	20 Years.

- d) Depreciation on property, plant and equipment is to be provided for on the straight line method at the following rates.

<i>Property, Plant and Equipment</i>	<i>Rate per annum</i>
Buildings	05%
Motor vehicles	20%
Office equipment	10%

#### 4. *Bad debts & doubtful debt provisions.*

Trade receivables as at 31<sup>st</sup> March 2020 included in the trial balance amounting to Rs.200, 000 has been declared as bankrupt on 20<sup>th</sup> April 2020. Provisions for general doubtful debt are to be maintained at 10% of the trade receivables balance outstanding on the reporting date.

#### 5. *Income tax.*

Taxation account shown in the Trial Balance is made up of under provision of Rs.200, 000 for the year of assessment 2018/2019 and an amount of Rs. 800,000 paid on the basis of self assessment for the year of assessment 2019/2020. Income tax for the year ended 31<sup>st</sup> March 2020 has been estimated at Rs. 2 million.

#### *Required:*

*Prepare the followings for publication purposes.*

- Statement of Profit or Loss and other Comprehensive Income for the year ended 31<sup>st</sup> March 2020.
- Statement of Financial Position as at 31<sup>st</sup> March 2020.
- Statement of changes in Equity for the year ended 31<sup>st</sup> March 2020.
- Statement showing movement in Property, Plant & Equipment.

(Total Marks 25)

#### *Question No. 02*

Piyal Company acquired 80% of the ordinary shares of Siri Company on 01<sup>st</sup> April 2019. On that date the retained earnings of the Siri Company was Rs.02 million. The market value of shares of Siri Company as at 01<sup>st</sup> April 2019 was Rs. 25 per share and 200,000 ordinary shares were issued. The following statements of financial position have been extracted from the books of both companies as at 31<sup>st</sup> March 2020.

<i>Descriptions</i>	<i>Piyal (Rs. '000)</i>	<i>Siri (Rs. '000)</i>
<b>Assets</b>		
<b>Non-current Assets</b>		
Property, plant and equipment	4,000	3,000
Investment in Siri Company	4,000	-
<b>Current Assets</b>		
Inventories	1,400	1,500
Trade receivable	800	1,000
Cash and cash equivalent	800	500
<b>Total assets</b>	<b>11,000</b>	<b>6,000</b>
<b>Equity</b>		
Stated ordinary share capital	5,000	2,000
Retained earnings	4,000	3,000
<b>Current Liabilities</b>		
Trade payable	1,000	800
Accrual income tax	1,000	200
<b>Total equity and liabilities</b>	<b>11,000</b>	<b>6,000</b>

*The following information is available.*

1. Piyal Company sells goods to Siri Company at a mark-up of 25% on cost. During the year ended 31<sup>st</sup> March 2020 Siri Company received goods invoiced at a value of Rs.01 million of which 25% was included in the closing inventories of Siri Company.
2. Trade receivable balance of Piyal Company as at 31<sup>st</sup> March 2020 showed an amount of Rs. 200,000 due from Siri Company and trade payable balance of Siri Company showed an amount of Rs. 100,000 due to Piyal Company on that date. The difference between these two balances was due to cash remitted by Siri Company on 30<sup>th</sup> March 2020 which was not received to Piyal till 31<sup>st</sup> March 2020.
3. Piyal Company sold a motor vehicle to Siri Company at a profit of Rs. 200,000 on 01<sup>st</sup> October 2019. Siri Company's motor vehicles are depreciated at 20% per annum.
4. An impairment test carried out on 31<sup>st</sup> March 2020 the goodwill has been impaired by Rs. 500,000.

**Required:**

Prepare the consolidated statement of financial position as at 31<sup>st</sup> March 2020.

(Total marks 15)

**Question No. 03**

The following two statements of financial position have been extracted from the book of Ali Company.

<i>Descriptions</i>	<i>31.03.2019</i>	<i>31.03.2020</i>
	<i>(Rs. '000)</i>	<i>(Rs. '000)</i>
<b>Assets</b>		
<b>Non-current assets</b>		
Property, Plant and Equipment	9,000	8,000
Investments	1,500	1,700
<b>Current assets</b>		
Inventories	1,700	1,500
Accounts receivable	800	1,200
Receivable investment income	100	200
Cash and cash equivalent	900	3,000
<b>Total Assets</b>	<b>14,000</b>	<b>15,000</b>
<b>Equity and Liabilities</b>		
<b>Equity</b>		
Stated ordinary shares	6,000	7,100
Land revaluation reserves	300	600
Retained earnings	3,100	3,800
<b>Non-current liabilities</b>		
18% Bank loan	800	1,000
12% Debentures	1,000	600
Provisions for gratuity	400	300
<b>Current liabilities</b>		
Accounts payable	2,100	1,900
Accrual interest	200	100
Accrual income tax	100	200
<b>Total Equity and Liabilities</b>	<b>14,000</b>	<b>15,000</b>

**The following information is relevant.**

1. A motor vehicle purchased on 01<sup>st</sup> July 2015 for Rs. 1.5 million has been disposed on 01<sup>st</sup> July 2019 at Rs. 500,000. Motor vehicle is depreciated on a straight-line method at 20% per annum. Total depreciation for the year was Rs. 2 million.
2. Income tax for the year has been estimated at Rs. 500,000.
3. Investment income and total interest for the year were Rs. 300,000 & Rs. 400,000 respectively.
4. The company has paid Rs. 200,000 interim dividends during the year.
5. A gratuity payment of Rs. 100,000 was made during the year.

**Required:**

Prepare the cash flow statement for the year ended 31<sup>st</sup> March 2020.

(Total Marks 15)

**Question No. 04**

Anil, Buddhika and Chamal are partners of the partnership firm sharing profits and losses in the ratio of 2:2:1 respectively. They decide to dissolve the partnership on 01<sup>st</sup> April 2020. The Statement of Financial Position of the firm as at 31<sup>st</sup> March 2020 as follows;

<i>Descriptions</i>	<i>Rs. '000</i>	<i>Rs.'000</i>
<b>Assets</b>		
<b>Non-Current Assets</b>		
Land and Buildings	13,000	
Motor Vehicle	3,000	
Furniture	2,000	18,000
<b>Current Assets</b>		
Inventory	3,000	
Accounts receivable	2,000	
Cash at bank	1,000	6,000
<b>Total Assets</b>		<b>24,000</b>
<b>Equity and Liabilities</b>		
<b>Capital Accounts - Anil</b>	10,000	
- Buddhika	6,000	
- Chamal	2,000	18,000
<b>Current Accounts - Anil</b>	2,000	
- Buddhika	(1,000)	
- Chamal	1,000	2,000
Loan – Buddika		3,000
<b>Current Liabilities</b>		
Accounts payable		1,000
<b>Total equity and Liabilities</b>		<b>24,000</b>

*The following additional information also available.*

1. The assets were realized as follows.

	<i>Rs. '000</i>
Land and Buildings.....	14,000
Motor Vehicle.....	2,800
Furniture.....	2,000
Inventory.....	3,000
Accounts receivable.....	1,800

2. A total discount of Rs. 200,000 had been given in settling accounts payable.
3. Expenses of realization were Rs.500, 000.

**Required:**

- a. Realization Account,
- b. Bank Account and
- c. Partners' Capital Accounts.

(Total Marks 15)

---