



EASTERN UNIVERSITY, SRI LANKA
FACULTY OF COMMERCE AND MANAGEMENT

Third Year First Semester Examination in Bachelor of Commerce/ Bachelor of Commerce
(Specialization in Accounting and Finance)-2009/2010 (August 2011)

DAF 3013 Advanced Financial Accounting

Answer All Questions.
Calculator Permitted.

Time: Three (03) hours.

(I) Calculate cost of goods sold from the following details:

Working Capital	Rs. 45,000
Current Ratio	1.5
Quick Ratio	0.9
Inventory Turnover (Cost of sales/Closing Stock)	6 Times

(05 Marks)

(II) From the following information calculate sundry debtors and sundry creditors, assuming no stock of goods is maintained and therefore, cost of sales and purchases are same:

Debtors Velocity	2 months
Creditors Velocity	3 months
Cost of Sales	Rs. 200000
Profit Margin	20% of cost of sale
Bill Receivable	Rs. 2000
Bills Payable	Rs. 10000

(05 Marks)

(III) Find the value of current liabilities, liquid assets and stock of a company if its current assets are Rs. 500000, current ratio is 2.5: 1 and quick ratio is 1:1.

(05 Marks)

(IV) From the following figures extracted from SMC Ltd., compute the amount of gross profit as a percentage of sales.

Stock in the beginning of the year	Rs. 60000
Stock at the end of the year	Rs. 100000
Stock Turnover ratio	8 times
Selling price	24% above cost.

(05 Marks)

(V) If a firm has a current ratio of 3:1 and net working capital of Rs. 200000, determine its current assets, current liabilities and liquid assets assuming inventory of Rs. 220000.

(05 Marks)

(Total 25 Marks)

02. The Balance Sheets of HOC plc and its subsidiary SDC plc as at 31.12.2010 are as follows:

Liabilities	HOC	SDC	Assets	HOC	SDC
Share Capital (Rs.10)	900000	600000	Land & Buildings	300000	480000
General Reserve	200000	150000	Plant & Machinery	250000	190000
Profit & Loss A/C	220000	100000	Investments	550000	100000
Creditors	150000	100000	Stocks	115000	70000
Bills Payable	30000	50000	Debtors	120000	60000
			Bills receivable	50000	45000
			Cash & Bank	115000	55000
	1500000	1000000		1500000	1000000

Additional Information:

- HOC plc acquired 48000 ordinary shares of Rs.10 each held in SDC plc on 30.06.2010 for Rs.550000.
- SDC plc had a debit balance of Rs.30000 in its profit and loss account, and Rs.100000 in general reserve account as at 01.01.2010.
- The profits of SDC plc for the year ended 31.12.2010 were earned evenly throughout the year.
- Bills Payable of HOC plc includes Rs.10000 drawn in favour of SDC plc.

- v. Stocks of HOC plc include goods purchased from SDC plc for Rs.24000, which were invoiced by the latter at a profit of 20% plus cost.

Required:

Prepare the Consolidated Balance sheet as at 31.12.2010.

(Show all the workings clearly)

(25 Marks)

3. The following is the Comparative Balance Sheets of a company on historical cost accounting basis:

Assets and Liabilities	31.12.2009		31.12.2010	
	Rs	Rs	Rs	Rs
Fixed Assets	30000		30000	
Less: Accumulated Depreciation	10000	20000	11000	19000
Stock	9000		18000	
Debtors	10000		25000	
Cash	8000	27000	5000	48000
Total Assets		47000		67000
Shareholders' equity		35000		40000
Creditors		12000		27000
Total Liabilities		47000		67000

The Profit and Loss Statement for the year ended 31st December 2010 is as follows:

	Rs
Sales	40000
Less Cost of sales	34000
Gross Profit	6000
Depreciation	1000
Net Profit	5000

Additional Information:

- a) Sales were made on credit
- b) Cash received from debtors Rs 20000
- c) Purchases of stock on credit Rs 43000
- d) Cash payments made to suppliers Rs. 18000
- e) The company maintains its stock account on the FIFO basis
- f) All transactions may be assumed to have occurred evenly throughout the year
- g) Fixed assets were acquired on 1st January 2003
- h) General Price is as follows:

Year	Price Index
31 st December 2002	60
31 st December 2009	95
31 st December 2010	105

Required:

- (a) Prepare the Balance Sheets as at 31st December 2009 and 2010 in terms of Current Purchasing Power as at 31st December 2010)
- (b) Prepare the Profit and Loss Statement for the year ended 31st December, 2010 in terms of Current Purchasing Power as at 31st December 2010)

(25 Marks)

4. (I) From the following information, calculate the cash price of the asset:

- (a) Cash down payment 17.25%
- (b) Three annual installment of Rs. 19,965 each commencing from the end of the first year.
- (c) Rate of interest to be changed by the vendor 10% p.a.

(05 Marks)

(II) Gall Television House sells goods both on cash and hire purchase basis and records hire purchase transactions on stock and debtor system and closes its books on December 31, every year.

On 01-04-2010, it sold a color TV set and VCR to Mr.Rajan. The other particulars are as follows:

Item	TV set	VCR
Cost price	Rs.9000	Rs.16000
Down Payment	Rs.2000	Rs.4000
Number of installment payable	10	8
Amount in each installment	Rs.1000	Rs.2000
Mode of payment	monthly	bi-monthly
First installment due on	1/5/2010	1/6/2010

Mr.Rajan paid all installments due except for those due on December 2010. It was decided that Television House will take back VCR at an agreed price of Rs. 11,000 and excess amount, if any, will be adjusted against the installments due on TV set.

VCR repossessed was sold for Rs.12000 after repair charges for which amounted to Rs.500 only.

Required:

Prepare necessary ledger accounts in the books of Gall Television House to record the above transactions and find out the profits.

(20 Marks)

(Total 25 Marks)