

EASTERN UNIVERSITY, SRI LANKA
FACULTY OF COMMERCE AND MANAGEMENT

First Year Second Semester Examination in Business Administration /
Commerce 2013/2014 (June 2016) (Proper / Repeat / Re-Repeat)

DAF 1014 Financial Accounting

Answer All Questions. Write the full figures.

Calculator Permitted.

Time: Three (03) hours.

1. The Trial Balance extracted from the books of SNG plc as on 31st of December 2015 is as follows:

Items	Debit	Credit
	Rs.	Rs.
50,000 Ordinary shares		1125,000
20,000 10% Preference shares		600,000
Value Added Tax	700,000	
Return inwards	75,000	
Other operating income		172,500
Investment income received		37,500
Selling and Distribution expenses	840,000	
General Reserve		975,000
Debenture interest paid	60,000	
Income tax paid	300,000	
Cost of Sales / Sales	4650,000	7800,000
Debtors	350,000	
Accumulated profit as at 01.01.2015		450,000
Stocks as at 31.12.2015	322,500	
Cash and Bank	187,500	
16% Debentures		750,000
Trade Investments	600,000	
Creditors		320,000
Provision of Income Tax for the last quarter of year 2014		75,000
Preliminary Expenses	105,000	
Motor vehicle disposed		112,500
Plant and Equipment / Provision for Depreciation as at 01.01.2015	400,000	100,000
Motor vehicles / Provision for Depreciation as at 01.01.2015	750,000	210,000
Administrative expenses	410,000	
Provision for doubtful debt as at 01.01.2015		22,500
Land Property (at cost)	3000,000	
	12750,000	12750,000

Additional Information:

- i. The net realizable value of stocks as at 31.12.2015 was Rs.300,000.
- ii. Administrative expenses include a theft loss of Rs.30,000 during the year.
- iii. The fair value of trade investments was estimated at Rs.580,000.
- iv. Land Property was revalued at Rs.3100,000 as at 31.12.2015.
- v. 15% debentures were issued on 1st of July 2015.
- vi. A provision for doubtful debt is to be made at 10% on debtors.
- vii. Plant and Equipment account includes an equipment purchased on 1st of July 2015 at a cost of Rs.150,000.
- viii. A motor vehicle which was purchased at a cost of Rs.150,000 and provided depreciation of Rs.60,000 were disposed with a profit of Rs.30,000 in January 2015. The proceeds from the disposal was debited to cash account and credited to motor vehicle disposed account. No other entries were made in this regard.
- ix. The provisions for depreciation on Non current assets are to be made as follow:

Motor Vehicles	-	20% on straight line basis
Plant & Equipment	-	10% p.a on reducing balance
- x. The income tax paid includes the amount of Rs.80,000 paid for the last quarter of 2014. The income tax payable for the last quarter of current year (2015) has been estimated at Rs.115,000.
- xi. The directors of the company have decided the following:
 - a. To transfer Rs.150,000 to General reserve
 - b. To write off 80% of Preliminary Expenses
 - c. To provide 15% dividend to ordinary shareholders and the dividend to Preference shareholders.

Required:

Prepare the following for SNG Plc in the format that can be published for shareholders.
(Show the notes and workings clearly).

- i. The Statement of Comprehensive Income for the year ended 31.12.2015
- ii. The Statement of Changes in Equity for the year ended 31.12.2015
- iii. The Statement of Financial Position as at 31.12.2015

(25 Marks)

New furniture, by disposing the old, for Rs.90,000 has been purchased on credit but not entered in books. Depreciation has been charged on this furniture at 5%.

Required:

Prepare the followings:

- The Receipts and Payments Account for the year ended 31.12.2015
- The Statement of State of Affairs of the Club as at 01.01.2014 and 31.12.2014 (Show the workings and Assumptions clearly)

(25 Marks)

04. Arul, Banda, and Christy are the partners in a firm sharing profits and losses in the ratio of 3:2:1. Their balance sheet as at 31.12.2015 was as follows:

Liabilities	Rs.	Assets	Rs.
Capital account: Arul	180,000	Land and Building	260,000
Banda	150,000	Investment	29,500
Christy	110,000	Stocks in trade	154,000
Current account: Arul	7,800	Debtors	111,000
Christy	12,200	Bills receivable	57,000
General Reserve	72,000	Cash in hand	6,000
Creditors	88,000	Current account: Banda	2,500
	620,000		620,000

On 01.01.2016, a new partner, Mr. Dickson, was admitted into the partnership on the following conditions:

- Dickson should bring Rs.50,000 as his capital by cash.
- Goodwill was valued at Rs.150,000, for which no account is to be raised but to be adjusted through partners current accounts.
- Arul, Banda, Christy, and Dickson will share profits in the ratio of 4:3:2:1 respectively.
- The value of stock is to be reduced by Rs.28,400
- A provision for doubtful debt is to be made at 10% on debtors
- Land and Building is to be appreciated by 25%
- The value of investment is to be reduced to Rs.25,000.
- The capital accounts of partners which are maintained as fixed capital balances are to be re-adjusted on the basis of their profit sharing ratio through their current accounts.

Required:

Prepare the followings:

- (a) The Revaluation Account
- (b) Partners Current Accounts
- (c) Partners Capital Accounts (Fixed)
- (d) The Balance Sheet as at 01.01.2016

(25 Marks)