

**EASTERN UNIVERSITY, SRI LANKA**  
**FACULTY OF COMMERCE AND MANAGEMENT**

**Second Year First Semester Examination in Business Administration /**

**Commerce 2015/2016 (November 2017) (Proper/Repeat)**

**DAF 2023 Advanced Accounting**

**Answer All the Questions showing all the workings clearly using full figures**

**Calculator Permitted**

**Time: Three (03) hours**

The Statement of Financial Position of DRG plc as at 31.12.2016 is as follows:

<b>Liabilities</b>	<b>Rs.</b>	<b>Assets</b>	<b>Rs.</b>
Ordinary shares (Rs.10 each)	2400,000	Non-current Assets	2000,000
12% Redeemable Preference shares ( Rs.10 each)	800,000	Investment	1000,000
Profit & Loss Account	600,000	Debtors	800,000
Creditors	200,000	Cash & Bank	200000
	<b>4000,000</b>		<b>4000,000</b>

All the 12% redeemable preference shares were to be redeemed at the stated value of Rs.10 each on 01.01.2017 out of the distributable profits amounting to Rs.500,000. The company issued sufficient number of ordinary shares at Rs.10 each to back up the balance of fund required. All the shares were subscribed fully and cash duly received. Part of investments costing Rs.300,000 was sold for Rs.350,000. Payment was duly made to the preference shareholders.

**Required:**

Open the relevant ledger accounts, post into them the above transactions, and draft the Statement of Financial Position of the company after the redemption of preference shares.

**(15 Marks)**

02. The followings are the financial statements of the BTK plc.

**The Comprehensive income statement for the year ended 31.12.2016**

	Rs.	Rs.
Sales		1692,400
Less : Cost of sales		862,400
Gross profit		830,000
<b>Add : Other Operating Income :-</b>		
Investment income	25,600	
Profit on sales of motor vehicle	7,400	33,000
		863,000
<b>Less : Operating Expenses :</b>		
Administration	124,500	
Selling & Distribution	178,200	
Finance	26,100	328,800
Profit before Tax		534,200
Less: Tax		209,400
Net Income for the year		324,800

**The Statement of Changes in Equity for the year ended 31.12.2016**

Items	Ordinary Shares	Accumulated Profit	General Reserve	Revaluation Reserve	Total
	Rs.	Rs.	Rs.	Rs.	Rs.
Balances as at 01.01.2016	850,000	138,200	100,000	-	1088,200
Net Income for the year	-	324,800	-	-	324,800
General Reserve	-	(50,000)	50,000	-	-
Dividend	-	(120,000)	-	-	(120,000)
Land Property Revaluation	-	-	-	100,000	100,000
Issue of Shares	50,000	-	-	-	50,000
Balances as at 31.12.2016	<b>900,000</b>	<b>293,000</b>	<b>150,000</b>	<b>100,000</b>	<b>1443,000</b>

**The Statement of Financial Position as at**

Assets and Liabilities	31.12.2015	31.12.2016
	Rs.	Rs.
Land & Building	728,000	1085,000
Motor Vehicle	315,500	250,000
Furniture & Fitting	135,000	120,000
Investments	300,000	400,000
Stocks	165,500	135,000
Debtors	305,400	325,600
Cash & Bank	150,600	84,400
	<b>2100,000</b>	<b>2400,000</b>
Share capital (Rs. 10 each)	850,000	900,000
Profit & Loss account	138,200	293,000
General Reserve	100,000	150,000
10% Debentures	400,000	350,000
Long term Bank loan	200,000	180,000
Creditors	140,500	165,600
Accrued salaries	25,500	32,000
Tax payable	155,800	209,400
Dividend payable	90,000	120,000
	<b>2100,000</b>	<b>2400,000</b>

**Additional Information:**

1. A new building was purchased during the year for Rs. 300,000 upon a payment of Rs. 250,000 in cash and the issue of 5000 ordinary shares of Rs.10 each. Land was revalued with the surplus of Rs.100,000.
2. Part of 10% Debentures was redeemed during the year paying by cash and the issue of 2,000 ordinary shares of Rs.10 each.
3. During the year motor vehicle with the book value of Rs.30,000 was disposed at a profit of Rs.7,400.

**Required:**

- (a) Prepare the cash-flow statement of the BTK plc for the year ended 31.12.2016, reporting the cash-flow from operating activities using the direct method.
- (b) Determine the cash flow from operating activities in the indirect method.

**(25 Marks)**

03. Wilson Grindings is flour manufacturing Company consisting of three production departments namely, Mixing, Grinding, and Packing, and two service departments namely, Maintenance and Welfare.

The budgeted Production Overhead for a quarter of 2016 was as follows.

Overheads	Rs.
Indirect materials	75000
Indirect wages	50000
Depreciation on machineries	100000
Rent for building	75000
Power and Energy for machinery	50000
Lighting	25000
Insurance for machineries	15000

The bases for the apportionment of overhead among the departments were as follows.

Bases	Total	Departments				
		Mixing	Grinding	Packing	Maintenance	Welfare
Direct Material (Rs.000)	150	100	20	10	10	10
Direct Wages (Rs.000)	100	30	50	10	5	5
Value of Machineries (Rs.000)	1000	400	300	200	50	50
Floor Area (Sq. ft.000)	50	20	15	10	3	2
Machine Hours (000)	25	5	10	5	3	2
Direct Labour Hours	3000	500	1500	800	100	100
No.of Switches	250	50	100	75	15	10

The total overheads of the service departments, Maintenance and Welfare, were to be re apportioned among the Production departments as follows.

	Mixing	Grinding	Packing	Maintenance	Welfare
Maintenance %	30	40	20	-	10
Welfare %	20	40	20	20	-

**Required:**

- Using appropriate bases, apportion the production overhead among all the departments.
- Reapportion the total overhead of the service departments among the production departments using Algebra method or repeated apportionment method.

- ii. Calculate the Overhead absorption rate (Rs.) based on direct labour hours for all the production departments.
- iii. Determine the total cost of a 10Kg Flour Pack whose direct material cost and direct labour cost are Rs. 250 and Rs.150 respectively and which would consume labour hours of 4, 5 and 3 in departments of Mixing, Grinding, and Packing respectively.

**(25 Marks)**

ABC plc employs its workers for a single shift of 8 hours for 25 days in a month. The company has recently fixed the standard output for a mass production item and introduced an incentive scheme to boost output. Details of wages payable to the workers are as follows:

- a. Basic wages/ piece wages @ Rs.20 per unit subject to a guaranteed minimum wage of Rs.1000 per day.
- b. Dearness allowance at Rs.500 per day.
- c. Bonus incentive:
  - Standard output per day per worker : 100 units
  - Incentive bonus upto 80% efficiency : Nil
  - Incentive bonus for efficiency above 80% :Rs.1200 for every 1% increase above 80%.

The details of performance of four workers for the month of April are as follows.

Worker	No. of days worked	Output (units)
A	25	2100
B	18	820
C	25	1920
D	23	1909

Required: Calculate the total earnings of each worker.

**(10 Marks)**

05. DWH plc has following budgets for the period from January to June of 2017.

Month	Sales	Purchases	Wages	Production Overhead	Administrative & Selling Overhead
	Rs.	Rs.	Rs.	Rs.	Rs.
January	250,000	75,000	25,000	15,000	15,500
February	275,000	90,000	30,000	20,500	16,500
March	300,000	120,500	40,500	25,000	17,500
April	375,500	150,500	45,000	28,500	18,000
May	425,500	175,000	50,000	30,000	21,000
June	500,000	210,500	54,000	35,500	31,500

**Additional Information:**

- (i) Cash balance as at 01.01.2017 is Rs.200,000.
- (ii) 60% of the total sales are credit sales.
- (iii) Furniture and equipment are to be purchased in the month of March by the payment of Rs.115,000.
- (iv) A bank loan of Rs.150,000 will be obtained in the month of May.
- (v) An interim dividend of Rs.25,000 will be paid in June.
- (vi) 80% of credit sales are collected one month after and the balance in two months.
- (vii) 60% of purchases are paid in the following month and the balance in two months.
- (viii) Wages are paid in the same month with dues of 10%.
- (ix) 80% of Production, and Administrative and selling overheads are paid in the same month and the balance in the following month.

**Required:**

Prepare the Cash Budget for the DWH plc for the period from January to June of 2017.

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