



Answer All Questions

Calculator Permitted

Time: Three (03) hours

1. The Balance sheets of X Ltd and Y Ltd as at 31.12.2007 are as follows:

	X Ltd.	Y Ltd
	Rs.	Rs.
Ordinary Share capital (Rs.10each)	100000	75000
Profit & Loss a/c	50000	25000
Creditors	50000	50000
	<b>200000</b>	<b>150000</b>
Sundry Assets	180000	190000
Cash & Bank	20000	10000
	<b>200000</b>	<b>150000</b>

On 1.1.2008, X Ltd absorbed Y Ltd. on the following terms.

- The ordinary shareholders of Y Ltd to be allotted X Ltd's 1 ordinary share of Rs.10 each at Rs.15 per share for 1 share held by them.
- All the assets (excluding Cash & Bank) and Liabilities of Y Ltd were taken over by X Ltd at the following values.

Sundry Assets - Rs.150000

Creditors - Rs. 45000

- Liquidation expenses of Rs.5000 were paid by Y Ltd.

Required:

Open and post into the relevant ledger accounts to close the books of accounts of Y Ltd.

(35 Marks)

2. The Trial Balance extracted as on 31.12.2007 from the books of accounts of the Head Office Colombo and its branch in India are as follows

Items	Colombo Head Office		Branch	
	Dr. (Rs.000)	Cr. (Rs.000)	Dr. (Indian Rs.000)	Cr. (Indian Rs.000)
Capital Account		250		
Profit & Loss Account-1.1.2007		145		
Fixed Assets	295		170	
Stocks as at 1.1.2007	100		80	
Purchases	600		300	
Goods received from HO			120	
Goods sent to Branch		300		
Sales		630		
Operating Expenses	110		90	
Head Office Current Account				
Branch Current Account	420			
Debtors	60		30	
Creditors		300		
Cash and Bank	40		10	
	1625	1625	800	800

**Additional information:**

1. Stocks as at 31.12.2007 (at cost): Head Office - Rs.87000

Branch - Indian Rs.78000

2. Exchange Rates are:

- i. When Fixed assets were purchased: 1 Indian Rs. = Rs.1.50
- ii. On 1.1.2007: 1 Indian Rs. = Rs. 1.90
- iii. On 31.12.2007: 1 Indian Rs. = Rs. 3.00
- iv. Average rate for the Year: 1 Indian Rs. = Rs. 2.00

**Required:**

1. Convert the Trial Balances of the Branch into Sri Lankan Rupee currency
2. Prepare the following:
  - i. The Branch Trading and profit and Loss account for the year ended 31.12.2007
  - ii. The Balance sheet as at 31.12.2007

3. The Balance sheets of A Ltd and its subsidiary B Ltd as on 31.12.2007 are as follows.

	A Ltd	B Ltd
<b>Liabilities</b>		
Ordinary shares of Rs.10 each	600000	200000
Creditors	100000	70000
	<b>700000</b>	<b>270000</b>
<b>Assets</b>		
Sundry Assets	500000	270000
Investment in shares of B Ltd.	200000	-----
	<b>700000</b>	<b>270000</b>

**Further information:**

A Ltd. acquired 15000 ordinary shares in B Ltd on 31.12.2007.

**Required:**

Prepare the Consolidated Balance sheet as at 31.12.2007.

**(30 Marks)**