



**SOUTH EASTERN UNIVERSITY OF SRI LANKA**

**FIRST YEAR EXAMINATIONS IN BACHELOR OF BUSINESS ADMINISTRATION /  
COMMERCE (EXTERNAL) - 2009 / 2010 HELD IN AUGUST - 2010**

**BBA / COM 16 (I) – FINANCIAL ACCOUNTING – I**

**Answer all questions**

**Time: 02 Hours**

01. (a) Identify four potential user groups of financial statements. (2 marks)
- (b) Explain why user groups in general need accounting information, and state the information they require. Choose two examples of user groups and give the specific information they require and the purpose for which they would require it. (8 marks)
- (c) Explain each of the following three accounting concepts, and give an example of its application:
- (i) Going concern. (5 marks)
- (ii) Accruals. (5 marks)
- (iii) Consistency. (5 marks)
- (Total 25 Marks)

02. The following are the financial statements of M plc.

**Profit and loss account for the year ended 31<sup>st</sup> March 2009**

	<b>Rs.000</b>
Turnover	1,670
Cost of sales	<u>(870)</u>
Gross profit	800
Operating expenses	(415)
Depreciation	(250)
Loss on sale of fixed asset	(5)
Operating profit	130
Interest	(15)
Dividends	<u>(70)</u>
Retained profit for the year	<u>45</u>

### Balance Sheets at 31<sup>st</sup> March 2009 and 2008

	Rs. 000	Rs.000	Rs.000	Rs.000
<b>Fixed assets (see note)</b>		980		700
<b>Current Assets</b>				
Stock	70		65	
Debtors	175		215	
Bank and cash	<u>50</u>		<u>65</u>	
	<b><u>295</u></b>		<b><u>345</u></b>	
<b>Current Liabilities</b>				
Trade creditors	(100)		(85)	
Fixed asset creditor	(20)		0	
Accrued interest	(5)		(10)	
Dividends	<u>(65)</u>		<u>(60)</u>	
	<b><u>(190)</u></b>		<b><u>(155)</u></b>	
<b>Net current assets</b>		<u>105</u>		<u>190</u>
		<b>1,085</b>		<b>890</b>
<b>Long-term liability</b>				
Loan		<u>(200)</u>		<u>(250)</u>
		<b><u>885</u></b>		<b><u>640</u></b>
Share capital		700		600
Share premium account		100		0
Profit and loss account		<u>85</u>		<u>40</u>
		<b><u>885</u></b>		<b><u>640</u></b>

Note: M plc purchased fixed assets for Rs. 550,000 during the year ended 31<sup>st</sup> March 2009.

**Prepare the cash flow statement as at 31<sup>st</sup> March 2009 using the direct method.**

(30 Marks)

03. Jumbo Ltd sells their products in containers which cost Rs. 50 each. They are charged out to customers at Rs. 75 each if returned in good condition within three months.

At the year end, all containers owned by the company (whether within the factory or in customers hand) are valued at Rs. 25 each, for accounting purposes.

On 01<sup>st</sup> January 2009, the company owned 240 containers in the factory and 300 containers which had been in the hands of the costumers for less than three months. During the year 2009, 200 containers were purchased: 600 were charged to customers and only 560 were returned within the prescribed period. The remaining 20 were kept by the customers

beyond the three months limit. 8 containers were sold for Rs. 10 each during the year and 3 were scrapped.

When stock was taken on 31<sup>st</sup> December 2009, there was deficiency of 9 containers.

**Required:**

Prepare for the year;

- a) Containers Suspense Account
- b) Statement showing the profit or loss made on containers by Jumbo Ltd.

(20 Marks)

04. You are **required** to prepare the contract account for the year ended 31 December 2009, and 30<sup>th</sup> June 2010 and show the calculation of the sum to be credited to the profit and loss account for those years. On April 1, 2009 MN Ltd commenced work on a contract which was to be completed by 30 June 2010 at all agreed price of Rs. 520,000. MN Ltd's financial year ended on 31 December 2009, and on that day expenditure on the contract totaled Rs. 254,000 made up as under:

	Rs.
Plant	30000
Material	124000
Wages	95000
Sundry expenses	5000

Cash totaling Rs. 198,500 had been received by 31 December 2009 representing 75 per cent of the work certified as completed on that date, but in addition, work costing Rs. 30,000 had been completed but not certified.

A sum Rs. 9,000 had been obtained on the sale of materials which had cost Rs.8,000 but which had been found unsuitable. On 31 December 2009 stocks of unused materials on site had cost Rs. 10,000 and the plant was valued at Rs.20,000. To complete the contract by 30 June 2010 it was estimated that:

a. The following additional expenditures would be incurred:

	Rs.
Wages	64000
Materials	74400
Sundry expenses	9000

b. Further plant cost Rs.25,000 would be required;

c. The residual value of all plant used on the contract at 30 June 2010 would be Rs.15,000.

(25 Marks)

\*\*\*