



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 (II) – FINANCIAL ACCOUNTING – II

Answer all questions.

Time: 02 Hours

01. Given below is the Trial balance of Timex Garments (Pvt) Ltd. as at 31st December 2009.

	Debit Rs.'000	Credit Rs.'000
Share capital -Issued and fully paid		
10% Rs.10 Pref. shares		500
Rs. 10 Ordinary shares		1,500
General reserve		40
P & L a/c Balance		120
10 % Debentures		50
Cash Sales		1,600
Credit sales		2,540
Stock1/1/2009	300	
Purchases	2,900	
Goodwill	50	
Land and building, at cost	400	
Furniture & Fittings, at cost	50	
Motor vehicles, at cost	250	
Machinery & Equipment, at cost	250	
Investments in Fixed Deposits	500	
Provision for depreciation –Buildings	50	
–Machinery & equipment	40	
–Furniture & fittings	30	

Bank Loan		50
Provision for bad debts		25
Salaries & wages	350	
EPF & ETF	50	
Electricity	35	
Communication expenses	40	
Other administrative expenses	105	
Selling & Distribution expenses	230	
Delivery expenses	50	
Bank charges	20	
Legal expenses	120	
Trade Creditors		985
Trade Debtors	1,250	
Loan interest	30	
Carriage inwards	150	
Prepayments	200	
Interest on Fixed deposits		60
Bank overdraft		30
Cash in hand	<u>50</u>	<u> </u>
	<u>7,500</u>	<u>7,500</u>

Following additional information was available:

- 1) Stocks of finished garments as at 31/12/2009 were valued at Rs.500,000.
- 2) Other administrative expenses included prepaid insurance premium of Rs.13,000.
- 3) Selling expenses include prepaid advertising expenses amounting to Rs.24,000.
- 4) Cost of Buildings included in cost of land and building was Rs.300,000.
- 5) Motor vehicles are not depreciated at 10% p.a. as this is the first year of purchase.
- 6) Depreciation is to be provided
 - On Buildings –at 5% p.a. on cost
 - On Machinery & Equipment –at 10% p.a. on cost
 - On Furniture & fittings –at 10% p.a. on cost

- 7) Salaries & wages accrued for 2009 was Rs.30,000, and electricity charges, Rs.12,000
- 8) Directors proposed to
- transfer to General reserve of Rs.30,000 out of profits
 - pay Preference Dividend
 - pay an Ordinary dividend of 08 %.

You are required to prepare the following for the purpose of publication.

- (i) The Company's Profit & Loss a/c for the year ended 31st December 2009
(12 Marks)
- (ii) The Balance Sheet as at 31st December 2009
(20 Marks)
- (iii) The Statement of Changes in Equity for the year ended 31st December 2009
(08 Marks)
- (Total 40 Marks)

02. (a) Differentiate financial lease and operating lease with examples.

(05 Marks)

(b) The following information is related to a lease agreement of XY Limited with that of LOLC Ltd.

Motor Vehicle Purchased for Rs. 320,000 on 1 July 2009.

Leased over 36 months (3 years)

Total cost of lease Rs. 360,000

Zero residual value

Monthly payments in advance on the 1st day of each month of Rs.10,000 per month.

Total lease interest charges Rs. 40,000

Required:

- i. To calculate the apportionment of the finance charges over the three years using the sum of digit method.
- ii. Show the journal entries of the above transaction in the books of the XY Limited over the lease period.

(25 Marks)

(Total 30 Marks)

03. 'A' Ltd had 1000, 10% debentures of Rs. 10 on 31st March 2009. Current market value of those Debentures was 40,000 on that date. Interest is paid on 1st July and 1st January every year.

The information about the transaction of 10% Debentures during 2009 are as follows.

Date	No. of Debentures	Price	Nature of Interest
Purchases			
1/6/2009	3000	50	cum interest
1/10/2009	1500	45	ex interest
1/12/2009	1500	55	cum interest
Sales			
1/09/2009	1500	50	cum interest
1/11/2009	2000	52	ex interest

You are required to prepare the Investment Account of 'A' Ltd

(30 Marks)
