SOUTH EASTERN UNIVERSITY OF SRI LANKA
CENTRE FOR EXTERNAL DEGREES AND PROFESSIONAL LEARNING

FIRST YEAR EXAMINATIONS IN BACHILOR OF COMMERCE (EXTERNAL) – 2011/2012

HELD IN APRIL / MAY 2013

B.COM 16(II) – FINANCIAL ACCOUNTING - II

Calculator is allowed . **Answer all the questions.** **Time: 02 Hours**

(1)
The following trial balance was extracted from the books of Unity Ltd as at 31.03.2012.

Stated capital	**Dr. Rs.**	**Cr. Rs.**
Ordinary shares – 45,000 each Rs.10		450,000
10% preference shares-15,000 each Rs.10		150,000
Buildings-cost	300,000	
Motor vehicle-cost	300,000	
Machinery-cost	400,000	
Furniture & fittings-cost	100,000	
Accumulated depreciation		
Buildings		30,000
Motor vehicle		30,000
Machinery		20,000
Furniture& fittings		10,000
Stock at 1/4/2011	80,000	
General reserve		40,000
Revaluation reserve		50,000
Debtors	75,000	
Creditors		45,000

Salaries	140,000	
Rent	20,000	
Electricity	22,000	
Director payments	118,000	
Audit fees	25,000	
Insurance payment	54,000	
Advertisement	12,000	
Distribution expenses	48,000	
Sales Promotion expenses	54,000	
Bills receivables	54,000	
Finance expenses	10,000	
10% Debentures		100,000
Tax paid	28,000	
Purchases	2,500,000	
Sales		4,400,000
Sales return	10,000	
Purchase return		20,000
Investments:		
Listed companies	200,000	
Unlisted companies	100,000	
Debenture interest paid	6,000	
Bank	500,000	
Cash in hand	159,000	
Profit & loss A/C B/F		170,000
Receivables	200,000	
	5,515,000	5,515,000

The additional information is given below.

1. Closing stock at 31/03/2012 was amounted to Rs.350,000
2. A provision for doubtful debt to be made 10% of the total debt.
3. Last quarter tax estimation amounted to Rs.16,000
4. The depreciation polity of the company is to charge full depreciation in the year of the purchase and no depreciation in the year of disposal.
5. The depreciation rates are as follows:

   Buildings 5% on straight line basis

   Motor vehicle 10% on straight line basis

   Machinery 10% on straight line basis

   Furniture & fittings 10% on straight line basis
6. A machinery bought for Rs. 100,000 in April 2009 had been sold for Rs.50,000 during the year and sales proceeds credited to sales account. No other entries had been made regarding this disposal.
7. Payable rent Rs. 10,000 and prepaid electricity Rs.4000
8. The board of directors of the company resolved as follows.

   a) Transferred Rs.40,000 to general reserve.

   b) Pay the preference dividend.

   c) Declare the dividend of 15% to ordinary share holders.
9. 5000 ordinary shares had been issued at Rs.12 per share with right issue. No entries made for this transaction.

You are required to prepare in a form suitable for publication:

1. Income statement for the year ended 31.03.2012
2. Balance sheet as at 31.03.2012
3. Statement of movement in equity changes.
4. Statement of movement in property, plant and equipment.

(45 marks)

(2)

Beeta Ltd carried out the following investing transactions for the year ended 31.03.2012 at which date the company closed its accounts.

2011:

April 1: purchased Rs.100, 000 9% debentures at Rs. 98 (each Rs.100) with cum interest basis.

Interest payable on 1st January and 1st July each year.

April 1: purchased Rs.150,000 ordinary shares at Rs.9 (each Rs.10)

May 1: purchased Rs.75,000, 8% treasury bonds at Rs. 97 (each Rs.100) with ex interest basis.

Interest payable on 31st March and 30th September each year.

June 1: purchased Rs. 50,000, 9% debentures at Rs.101 (each Rs.100) with ex interest basis.

September 1: sold Rs. 50,000, 9% debentures at Rs.102 with cum interest basis.

October 1: sold Rs. 50,000, 8% treasury bonds at Rs. 99 with cum interest basis.

December 1: received interim dividend for ordinary shares at Rs. 1 per share.

2012:

January 1: received bonus issue for ordinary shares with the ratio of 4:1

January 31: sold Rs. 100,000 ordinary shares at Rs.12 each.

February 28: received final dividend of Rs.1.50 per shares for ordinary shares.

Assume that all interest income and dividend income received on particular dates. Ignore tax and other fees.

Your are required to prepare investment accounts for the year ended 31.03.2012.

(30 marks)

(3)

Smith Ltd entered into a contract agreement with MM Ltd on 1st August 2007 for the finance lease of a grinding machine at an annual rental of Rs. 30,000 payable in arrears on 31st July each year. The agreement is for five years and the asset is expected to have a useful life of approximately 8 years. It would have cost Smith Ltd Rs. 119,780 to purchase the machine outright. Finance charge is 8% per annum.

Smith Ltd depreciates its assets on straight line method.

You are required to prepare:

1. A statement for a finance lease using 'Actuarial Method'.
2. Related ledger accounts in the books of Smith Ltd.

(25 marks)