

Answer All Questions.

Non-Programmable Calculator is permitted.

Write your answers in full figures as given in questions.

Show all the workings for answers clearly in the working book.

Time: Three (03) hours.

PART I

01. The Trial Balance extracted from the books of AMC plc, which is a VAT registered company, as on 31
- st
- of December 2023 is as follows:

Items	Debit	Credit
	Rs.	Rs.
Cost of Sales / Sales (exclusive of VAT)	3500,000	5200,000
Stocks valued at cost as at 31.12.2023	215,000	
Return inwards	100,000	
Other operating income		115,000
Investment income received		25,000
Administrative expenses	250,000	
Theft Loss	20,000	
Selling and Distribution expenses	520,000	
Debenture interest paid for 1 st semester	40,000	
Income Tax paid	200,000	
50,000 Ordinary Shares		750,000
20,000 10% Preference Shares		400,000
Accumulated Profit as at 01.01.2023		300,000
General Reserve as at 01.01.2023		600,000
16% Debentures		500,000
Creditors		210,000
Provision of Income Tax for the last quarter of year 2022		50,000
VAT Payable for last quarter of 2023		50,000
Land Property (at cost)	2000,000	
Motor vehicles / Provision for Depreciation as at 01.01.2023	400,000	120,000
Profit on Motor Vehicle Disposed		15,000
Plant and Equipment / Provision for Depreciation as at 01.01.2023	270,000	70,000
Trade Investments	400,000	
Debtors	250,000	
Allowance for doubtful debt as at 01.01.2023		15,000
Preliminary Expenses	70,000	
Cash and Bank	185,000	
	8420,000	8420,000

Additional Information:

- i. The net realizable value of stocks as at 31.12.2023 was Rs.225,000.
- ii. The fair value of trade investments was estimated at Rs.380,000.
- iii. An allowance for doubtful debt is to be made at 10% on debtors.
- iv. Plant and Equipment account includes an equipment purchased on 1st of July 2023 at a cost of Rs.100,000.
- v. A motor vehicle which was purchased at a cost of Rs.100,000 and provided depreciation of Rs.20,000 up to the date of disposal were disposed for Rs.95,000 in January 2023. The proceeds from the disposal debited to cash account and credited to motor vehicle disposed account. Further, the amounts of cost accumulated depreciation of the motor vehicle disposed were debited to Motor Vehicle account and Accumulated Depreciation account and credited to the motor vehicle disposed account, respectively, the profit on the disposal was transferred to an account with that title.
- vi. Land Property was first time revalued at Rs.2100,000 as at 31.12.2023.
- vii. The Non-current assets are to be depreciated as follow:

Motor Vehicles	-	20% on straight line basis
Plant & Equipment	-	10% p.a on reducing balance
- viii. The income tax paid includes the amount of Rs.60,000 paid for the last quarter of 2022. The income tax payable for the last quarter of current year (2023) has been estimated at Rs.75,000.
- ix. 16% debentures were issued on 1st of January 2023. Interest was payable semiannually.
- x. The directors of the company have decided the following:
 - a. To transfer Rs.100,000 to General reserve.
 - b. To write off 50% of Preliminary Expenses.
 - c. To declare 10% dividend to ordinary shareholders and to provide the dividend to Preference shareholders.

Required:

Prepare the following for AMC Plc in the standard format and state the answers required in the Answer Sheet provided (Show the notes and workings in your working book clearly).

- i. The Statement of Profit or Loss and Other Comprehensive Income for the year ended 31.12.2023.
- ii. The Statement of Changes in Equity for the year ended 31.12.2023.
- iii. The Statement of Financial Position as at 31.12.2023.

(30 Marks)

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

The Statement of Profit or Loss for the year ended 31.12.2023

	Rs.	Rs.
Sales		1692,400
Less : Cost of sales		862,400
Gross profit		830,000
Add : Other Operating Income :-		
Investment income	25,600	
Profit on sales of Equipment	7,400	33,000
		863,000
Less : Operating Expenses :		
Administration	123,500	
Selling & Distribution	178,200	
Finance	27,100	328,800
Profit Before Tax		534,200
Less: Tax		209,400
Profit After Tax		324,800
Less: Dividend		45,000
Retained Profit		279,800
Balance b/f		120,200
Balance c/f		400,000

The Statement of Financial Position as at

	31.12.2022 Rs.	31.12.2023 Rs.
Assets		
Land & Building	728,000	985,000
Motor Vehicle	315,500	280,000
Furniture & Equipment	135,000	90,000
Trade Investments	300,000	400,000
Short term Marketable Securities(3 Months)	25,000	17,000
Stocks	165,500	185,000
Debtors	305,400	325,600
Cash & Bank balances	25,600	17,400
	2000,000	2300,000
Liabilities		
Share capital (Rs.10 each)	550,000	650,000
15% Preference Share Capital	300,000	300,000
Profit / Loss account	120,200	400,000
10% Debentures	400,000	300,000
Long term Bank loan	263,000	198,000
Creditors	140,500	165,600
Administration expenses payable	25,500	32,000
Tax payable	155,800	209,400
Preference Dividend payable	45,000	45,000
	2000,000	2300,000

Additional Information:

- 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 5,000 ordinary shares of Rs.10 each.
- Part of 10% Debentures were redeemed at par during the year paying by cash.
- During the year an equipment with the carrying value of Rs.30,000 was disposed for Rs.37,400.

Required:

- Prepare the cash-flow statement of the NHK plc for the year ended 31.12.2023, reporting the cash-flow from operating activities using the direct method.
- Report the cash-flow from operating activities in the Indirect Method.

(25 Marks)

03. The summarized Balance Sheet of SPC plc as on 31st December, 2023 was as follows:

Liabilities	Rs	Assets	Rs
Ordinary Shares of Rs.10 fully paid	1000,000	Property, Plant & Equipment	1200,000
General Reserve	200,000	Trade Investment	300,000
Profit or Loss Account	270,000	Stock	250,000
14% Debentures	400,000	Debtors	175,000
Creditors	130,000	Cash	75,000
	2000,000		2000,000

DSP plc acquired 70% of ordinary shares of SPC plc, with effect from January 1st, 2023. The value of consideration transferred by DSP plc was agreed at Rs.1100,000.

The fair value of assets acquired and the liabilities assumed by DSP plc from SPC plc were:

	Rs.		Rs.
Property, Plant & Equipment	1275,000	Cash	75,000
Trade Investment	280,000	Creditors	127,600
Stock	226,600	14% Debentures	400,000
Debtors	168,400		

Required:

Calculate the following:

- Fair Value of Net Assets acquired.
- Fair Value of Non-Controlling Interest (as the proportionate share of the SPC plc's identifiable net assets)
- Goodwill / Gain in Bargain Purchase.
- Goodwill / Gain in Bargain Purchase if the fair value of the Non-Controlling Interest is recognized as Rs.30,000 at the date of acquisition.

04. The Statements of Financial Position of a Parent company, PMB Plc, and its subsidiary, SML Plc, as at 31.12.2023 are as follows.

Assets	PMB	SML
Buildings Property	500,000	250,000
Plant & Equipment	300,000	225,000
Investment in ordinary shares of SML Plc	350,000	-
Trade Investments	125,000	100,000
Stocks in trade	170,000	100,000
Trade Debtors	130,000	120,000
Bills receivable	125,000	75,000
Cash & Bank	100,000	30,000
	1,800,000	900,000
Liabilities		
Ordinary Share Capital (Rs.10)		
General Reserve	1000,000	400,000
Profit / Loss A/C	200,000	-
Trade Creditors	200,000	250,000
Bills Payable	180,000	120,000
	220,000	130,000
	1,800,000	900,000

Additional Information:

- PMB Plc acquired 30,000 ordinary shares of Rs.10 each in SML Plc at a cost Rs.350,000 on 01.01.2023. The fair value of Non-Controlling Interest as at that date was Rs.180,000.
- On 01.01.2023, Profit / Loss A/C of the subsidiary showed a credit balance of Rs.119,000. All Profits earned evenly throughout the year.
- Bills Receivable of the PMB Plc includes Rs.30,000 accepted by its subsidiary.
- Debtors of the SML Plc include Rs.25,000 due from its parent company.
- Stocks of the PMB Plc include goods purchased from SML Plc for Rs.72,000, which were invoiced to PMB Plc at a profit of 20% plus cost.
- At the date of acquisition SML Plc's Buildings Property and Plant & Equipment, and Trade Investments were revalued at Rs.286,000, Rs.230,000, and Rs.90,000 respectively. The depreciation for the Plant & Equipment of both companies is being provided at 10% p.a on its book value, while they provide depreciation for the Property Buildings, which were purchased on 01.01.2014, on straight line basis at 10% p.a. Ignore Taxes.

Required:

Prepare the Consolidated Statement of Financial Position as at 31.12.2023

(20 Marks)

Choose the Correct Answer.

1. To which entities is the use of terminology of LKAS 1: Presentation of Financial Statements suitable for?
 - (a) Profit-oriented entities.
 - (b) Public sector business entities.
 - (c) Entities operating in not-for-profit sector.
 - (d) Profit-oriented entities and Public sector business entities.
 - (e) All of the above.

2. Which of the following does a set of financial statements not comprise?
 - (a) Statement of financial position as at the end of the period.
 - (b) Statement of profit or loss and other comprehensive income and Changes in equity for the period.
 - (c) Report of the entity's sources of funding.
 - (d) Statement of cash flow for the period.
 - (e) Comparative information in respect of the preceding period and notes, comprising significant accounting policies and other explanatory information.

3. Information is obscured (concealed) if it is communicated in a way that would have a similar effect for primary users of financial statements to omitting or misstating that information. Which of the following is an example/s of circumstances that may result in material information being obscured?
 - A. Information regarding a material item, transaction or other event is disclosed in the financial statements but the language used is vague or unclear.
 - B. Information regarding a material item, transaction or other event is scattered throughout the financial statements.
 - C. Dissimilar items, transactions or other events are appropriately aggregated.
 - D. Similar items, transactions or other events are inappropriately disaggregated.
 - (a) A only.
 - (b) A and B.
 - (c) B and C.
 - (d) A and C.
 - (e) A, B, and D.

4. Which of the following could appear as separate items in the statement of changes in equity required by LKAS 1 Presentation of Financial Statements as part of a company's financial statements?
 - A. Gain on revaluation of land.
 - B. Loss on sale of investments.
 - C. Prior year adjustments.
 - D. Proceeds of an issue of ordinary shares.
 - E. Dividends proposed after the year end.
 - (a) A, B, C and D only.
 - (b) A, C and D only.
 - (c) A, B and D only.
 - (d) A and C only.
 - (e) All five items.

5. A statement of cash flows, when used in conjunction with the rest of the financial statements, provides information that enables users to evaluate the:
 - (a) Changes in an entity's profit before tax.
 - (b) Organizational structure of an entity.
 - (c) Entity's ability to affect the amounts and timing of cash flows in order to adapt to changing circumstances and opportunities.
 - (d) Entity's ability to generate cash flow from its operation.
 - (e) All of the above.

6. Investments normally qualify as a cash equivalent only when they have a short maturity of:
 - (a) Three months or less from the reporting date.
 - (b) Six month or less from the reporting date.
 - (c) Three months or less from the date of acquisition.
 - (d) Six month or less from the date of acquisition.
 - (e) One year or less from the data of its purchase.

7. Which of the following is not an example of cash flows from operating activities?
 - (a) Cash receipts from the sale of goods and the rendering of services.
 - (b) Cash receipts and cash payments of an insurance entity for premiums and claims, annuities and other policy benefits.
 - (c) Cash receipts from sales of property, plant and equipment, intangibles and other long-term assets.
 - (d) Cash receipts and payments from contracts held for dealing or trading purposes.
 - (e) (c) and (d).

8. An entity purchases a building and pays in equity shares of the entity. This transaction should be treated in the statement of cash flows as follows:
 - (a) This does not belong in a cash flow statement and should be disclosed only in the notes to the financial statements.
 - (b) The purchase of the building should be operating cash outflow and the issuance of shares financing cash outflows.
 - (c) The purchase of the building should be financing cash outflow and the issuance of shares as financing cash outflows.
 - (d) The purchase of the building should be investing cash outflow and the issuance of shares as financing cash outflows.
 - (e) None of these.

9. How should the gain on sale of an office motor vehicle owned by the entity be presented in a statement of cash flows using the indirect method?
 - (a) As an adjustment to the net income in the operating activities section of the cash flow statement.
 - (b) Added to the sale proceeds and presented in the investing activities section of the statement.
 - (c) As an inflow in the investing activities section of the cash flow because it pertains to a long-term asset.
 - (d) As an inflow in the financing activities section of the cash flow statement.
 - (e) Adding to the net income in the operating activities section of the cash flow statement.

10. Which of the following areas does SLFRS 3: Business Combination apply to?
 - (a) The accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself.
 - (b) The acquisition of an asset or a group of assets that does not constitute a business.
 - (c) A combination of entities or businesses under common control.
 - (d) The acquisition of an asset or a group of assets that can constitute a business.
 - (e) None of the above.

11. If the assets acquired are not a business, how shall the reporting entity account for the transaction or other event as?
 - (a) A non-controlling interest.
 - (b) An asset acquisition.
 - (c) An adjusting event.
 - (d) A business combination.
 - (e) An investment.

12. The acquirer shall measure the identifiable assets acquired and the liabilities assumed at their:
 - (a) Acquisition date fair values.
 - (b) Acquisition date historical cost.
 - (c) Reporting date net book value.
 - (d) Reporting date present value.
 - (e) Reporting date fair value

13. Select the correct statement with regards to intragroup balances and transactions during consolidation:
 - (a) Intragroup balances and transactions must be eliminated in full.
 - (b) Intragroup balances and transactions must be eliminated to the extent of non-controlling interest.
 - (c) Intragroup balances and transactions must be eliminated in proportion to the percentage of effective ownership.
 - (d) Intragroup balances and transactions do not have to be eliminated.
 - (e) Intragroup balances and transactions must be eliminated in part.

14. According to SLFRS 10, the basis for consolidation is the:
 - (a) Regulatory requirements.
 - (b) Size of share capital of the investee.
 - (c) Control.
 - (d) Number of employees.
 - (e) Power.

15. According to SLFRS 10, which types of entities are defined as exceptions when consolidating particular subsidiaries?
 - (a) Real Estate.
 - (b) Investment.
 - (c) Construction.
 - (d) Insurance.
 - (e) Finance.