

EASTERN UNIVERSITY, SRI LANKA
FACULTY OF COMMERCE AND MANAGEMENT

SECOND YEAR FIRST SEMESTER EXAMINATION IN BACHELOR OF BUSINESS
ADMINISTRATION / BACHELOR OF COMMERCE 2018/2019 (DECEMBER 2021)
(PROPER / REPEAT)

DAF 2023 ADVANCED ACCOUNTING (OLD SYLLABUS)

Answer All Questions

Calculator Permitted

Time: Three (03) hours

(I) The followings are the financial statements of the BTK plc.

The Comprehensive income statement for the year ended 31.12.2020

	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 motor vehicle	7,400	33,000
		863,000
Less : Operating Expenses :		
Administration	124,500	
Selling & Distribution	178,200	
Finance	26,100	328,800
Profit before Tax		534,200
Less: Tax		209,400
Net Income for the year		324,800

The Statement of Changes in Equity for the year ended 31.12.2020

Items	Ordinary Shares	Accumulated Profit	General Reserve	Revaluation Reserve	Total
	Rs.	Rs.	Rs.	Rs.	Rs.
Balances as at 01.01.2020	850,000	138,200	100,000	-	1088,200
Net Income for the year	-	324,800	-	-	324,800
General Reserve	-	(50,000)	50,000	-	-
Dividend	-	(120,000)	-	-	(120,000)
Land Property Revaluation	-	-	-	100,000	100,000
Issue of Shares	50,000	-	-	-	50,000
Balances as at 31.12.2020	900,000	293,000	150,000	100,000	1443,000

The Statement of Financial Position as at

Assets and Liabilities	31.12.2019 Rs.	31.12.2020 Rs.
Land & Building	728,000	1085,000
Motor Vehicle	315,500	250,000
Furniture & Fitting	135,000	120,000
Investments	300,000	400,000
Stocks	165,500	135,000
Debtors	305,400	325,600
Cash & Bank	150,600	84,400
	2100,000	2400,000
Share capital (Rs.10 each)	850,000	900,000
Profit & Loss account	138,200	293,000
General Reserve	100,000	150,000
10% Debentures	400,000	350,000
Long term Bank loan	200,000	180,000
Creditors	140,500	165,600
Accrued salaries	25,500	32,000
Tax payable	155,800	209,400
Dividend payable	90,000	120,000
	2100,000	2400,000

Additional Information:

1. 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 5000 ordinary shares of Rs.10 each. Land was revalued with the surplus of Rs.100,000.
2. Part of 10% Debentures was redeemed during the year paying by cash and the issue of 2,000 ordinary shares of Rs.10 each.
3. During the year motor vehicle with the book value of Rs.30,000 was disposed at a profit of Rs.7,400.

Required:

Prepare the cash-flow statement of the BTK plc for the year ended 31.12.2020, reporting the cash-flow from operating activities using the direct method.

(20 Marks)

(Total 20 Marks)

02. (I) ABC manufactures three products, A, B and C. The company that supplies the two raw materials that were used in all three products has informed LMN that their employees are refusing work overtime. This means that supply of the materials is limited to the following quantities for the next period.

Material X 1,780 kg

Material Y 1,500 kg

No other source of supply can be found for the next period.

Information relating to the three products manufactured by ABC Ltd is as follows:

Quantity of material used per unit manufactured	A	B	C
Material X (kg)	5	2	6
Material Y (kg)	3	5	4
Maximum sales demand (units)	180	200	120
Contribution per unit	Rs. 25	Rs. 18	Rs. 24

Owing to the perishable nature of the products, no finished goods stocks are held.

- a. Recommend a production mix that will maximize the profits of ABC Ltd. For the forthcoming period.

(05 Marks)

- b. ABC Ltd. has a valued customer to whom they wish to guarantee the supply of 100 units of each product for next period. Would this alter your recommended production plan?

(05 Marks)

- (II) Two components A and B are used as follows:

Normal usage 300 units per week each.

Maximum usage 450 units per week each.

Minimum usage 150 units per week each.

Re-order Quantity A 2400 units B 3,600 units.

Re-order Period A-4 to 6 weeks, B-2 to 4 weeks.

Calculate for each component

(a) Re-order level.

(b) Minimum level.

(c) Maximum level.

(d) Average stock level.

(10 Marks)

- (II) The personnel department of JKH Company Ltd. gives you the following information regarding labour:

No. of workers at the beginning of September, 2021 = 950

No. of workers at the end of September, 2021 = 1050.

During the month, 10 workers left while 40 were discharged. 100 workers were recruited during the month of which 45 workers are recruited against the vacancies of those leaving while the rest are recruited in connection with expansion programme. You are required to calculate the labour turnover by using different methods.

(10 Marks)

(Total 30 Marks)

03. Canon plc has recently completed its sales forecasts for the year to 31 December 2022. It expects to sell two products, namely, J and K, at Rs.135 per unit and Rs.145 per unit respectively.

Sales demand is expected to be: J - 10000 units, K - 6000 units

Both products use the same raw materials (X and Y) and skilled labour, but in different quantities per unit as follows:

	J	K
Material X	10 Kg	6 Kg
Material Y	4 Kg	8 Kg
Skilled labour	6 hours	4 hours

The prices expected during 2022 for the raw materials are:

Material X	Rs 1.50 per kg
Material Y	Rs 4.00 per kg

The skilled labour rate is expected to be Rs 6.00 per hour.

Stocks of raw materials and finished goods on 1 January 2021 are expected to be:

Material X	400 kg @ Rs 1.20 per kg
Material Y	200kg @ Rs 3.00 per kg
J	600units @ Rs 70.00 each
K	800units @ Rs 60.00 each

All stocks are to be reduced by 15% from their opening levels by the end of 2022 and are valued using the FIFO method. The company uses absorption costing, and production overhead costs are expected to be;

Variable	Rs. 2.00 per skilled labour hour
Fixed	Rs. 315,900 per annum

Required:

Prepare the following for the year to 31st December 2022:

- Production Budget (in units)
- Raw material purchase budget (in units & rupees)
- Production cost budget
- Budgeted trading account

(20 Marks)

(Total 20 Marks)

04. The Budgeted Production Overhead for a quarter of 2020 was as follows.

Overheads	Rs.
Indirect materials	75,000
Indirect wages	50,000
Depreciation on machineries	100,000
Rent for building	75,000
Power and Energy for machinery	50,000
Lighting	25,000
Insurance for machineries	15,000

The bases for the apportionment of overhead among the departments were as follows.

Bases	Total	Departments				
		Cutting	Stitching	Ironing	Maintenance	Welfare
Direct Material (Rs.000)	150	100	20	10	10	10
Direct Wages (Rs.000)	100	30	50	10	5	5
Value of Machineries (Rs.000)	1000	400	300	200	50	50
Floor Area (Sq. ft.000)	50	20	15	10	3	2
Machine Hours (000)	25	5	10	5	3	2
Direct Labour Hours	3000	500	1500	800	100	100
No.of Switches	250	50	100	75	15	10

The total overheads of the service departments, Maintenance and Welfare, were to be re apportioned among the Production departments as follows.

	Cutting	Stitching	Ironing	Maintenance	Welfare
Maintenance %	30	40	20	-	10
Welfare %	20	40	20	20	-

Required:

- Using appropriate bases, apportion the production overhead among all the departments.
- Reapportion the total overhead of the service departments among the production departments using Algebra method or repeated apportionment method.
- Calculate the Overhead absorption rate (Rs.) based on direct labour hours for all the production departments.
- Determine the total cost of a garment whose direct material cost and direct labour cost are Rs. 250 and Rs.150 respectively and which would consume labour hours of 4, 5 and 3 in departments of Cutting, Stitching, and Ironing respectively.

(Total 30 Marks)