

EASTERN UNIVERSITY, SRI LANKA
FACULTY OF COMMERCE AND MANAGEMENT

Second Year Second Semester Examination in Bachelor of Business

Administration/ Bachelor of Commerce -2017/2018(January 2020)

(Proper)

DAF 2043 Advanced Accounting

Answer All Questions.

Time: Three (03) hours.

Calculator Permitted.

Write all amounts in full figures as given in the questions.

Show all workings clearly.

GKL operates in trading sector with a Head Office in Colombo and an independent branch in Pollanaruwa. The goods for trading are sent from the Head Office to the branch at the price of cost plus 20%. The branch also partly makes purchases of goods for trading. A separate set of books are kept in the branch. On 31st of December 2019, the following Balances were extracted from the books of accounts of both entities.

Items	Head Office	Branch
	Rs.	Rs.
Stock as at 1.1.2019	150,000	48,000
Purchases	1,225,000	125,000
Sales	1,550,000	450,000
Operating Expenses	175,000	65,000
Cash remitted from Branch / to Head Office	100,000	110,000
Goods Sent to Branch/ Received from Head Office	120,000	114,000
Non-Current Assets	450,000	120,000
Trade Debtors	130,600	63,000
Trade Creditors	101,500	60,000
Branch Current Account /Head Office Current Account	196,000	190,000
Cash and Bank	173,400	55,000
Share Capital	500,000	-
Accumulated Profits as at 1.1.2019	120,500	-
Provision for Unrealized Profit on branch stock as at 1.1.2019	8,000	-

Additional Information:

- a) All stocks in the branch are at invoiced price by the head office.
- b) Stocks as at 31.12.2019: Head Office Rs.180,000 , Branch Rs.54,000, and In Transit Rs.6,000.
- c) Non-Current Assets of Head Office and Branch are to be depreciated at 10% p.a at book value.
- d) Cash in transit as at 31.12.2019: Rs.10,000.

Required:

Prepare the following accounts in the columnar form for the Head Office, the Branch, and the whole business:

- (i) The Trading, and Profit and Loss account for the year ended 31.12.2019; and
- (ii) The Statement of Financial Position as at that date.
- (iii) Head Office Current Account and the Branch Current Account as at 31.12.2019.

(25 Marks)

02. The following data of a business firm having three departments are available for the financial year ended 31.12.2019:

Department	Opening Stock (Units)	Purchases (Units)	Sales (Units)	Selling Price Per Unit (Rs.)
A	240	2,000	2,040	4,000
B	160	4,000	3,840	4,500
C	304	4,800	4,992	5,000

The total cost of purchase is Rs.20,000,000

The Gross profit margin is the same in each department.

Required:

Prepare the Departmental Trading Account in the columnar form for the financial year.

(15 Marks)

Kamal and Namal joined together to enter into a joint venture for purchasing, reconditioning, and selling used cars, and share profits or losses in the ratio of 3:2 respectively. A joint bank account was opened in the BOC on 1st of January 2019. Kamal deposited Rs.600,000 in cash and Nimal paid Rs.400,000 in cash into the bank account. They made all the transactions through their joint bank account.

On 15th January 2019, Kamal bought a car for Rs.750,000. He paid Rs.56,000 for repairing the car and Rs.14,000 for registration and insurance charges. On 31st January 2019, he sold the car for Rs.950,000, incurring selling expense of Rs.12,000.

On 5th of February 2019, Namal purchased two used cars (KF 4253 and KG 8014) for Rs.600,000 and Rs.400,000 respectively. He incurred transport expenses of Rs.17,500 and reconditioning cost of Rs.57,500 for both cars. He sold one (KF 4253) of the two cars for Rs.830,000 on 5th March 2019, paying a delivery charge of Rs.9,200.

Kamal purchased another used car at a cost of Rs.650,000 on 21st March 2019. Incurring a repair cost of Rs.56,800, he sold it for Rs.845,000 on 30th March 2019.

They decided to close their venture on 31st March 2019. Namal agreed to take over the unsold car at a value computed on the basis of purchase price plus proportionate expenses. They shared the profit or loss in venture and settled their accounts.

Required:

Prepare the following in the books of Joint Venture:

- (i) Joint Venture Account
- (ii) Co-Ventures' Capital Account
- (iii) Joint Bank Account

(20 Marks)

04. On 01.01.2015, BMC plc obtained a mining lease from a land lord, Ms.Herath, and from that date it subleased a part of the mine to APS plc. The amount of coal extracted (in tons) and other information are as follows:

Particulars	BMC plc	ASP plc
Coal extracted : 2015	1,000	1,000
2016	3,000	2,000
2017	12,000	5,000
2018	9,000	4,000
2019	5,000	12,000
Royalty per ton	Rs.200	Rs.300
Dead rent per annum	Rs.1500,000	Rs.1000,000
Short working recoverable	3 years	2 years

Required:

Prepare the following accounts in the books of BMC plc for the above 5 years ending 31st December:

(a) Royalties Payable Account, (b) Land Lord Account, (c) Short Working Account, (d) Royalties Receivable Account, (e) ASP plc Account, and (f) Royalties Suspense Account.

(20 Marks)

05. NHK plc Company issued a prospectus inviting applications for 4,000 shares of Rs.100 each payable: on application -Rs.20, on allotment- Rs.30, on first call -Rs.30, and on second and final call -Rs.20.

Applications were received for 6,000 shares and pro-rata allotment was made on the applications for 4,800 shares. Money overpaid on applications was employed on account of sum due on allotment. Ms.Ruby, to whom 80 shares were allotted, failed to pay the allotment money and on her subsequent failure to pay the first call his shares were forfeited. Ms.Sandamali, the holder of 120 shares, failed to pay the two calls, and her shares were forfeited after the second call. Of the shares forfeited, 160 shares, including whole of Rubi's shares, were reissued to Mr.Sunil as fully paid up for Rs.90 per share.

Required:

(i) Write journal entries to record the above transactions.

(II) Open and Post into Ledgers Accounts

(III) Prepare the Statement of Financial Position.

(20 Marks)