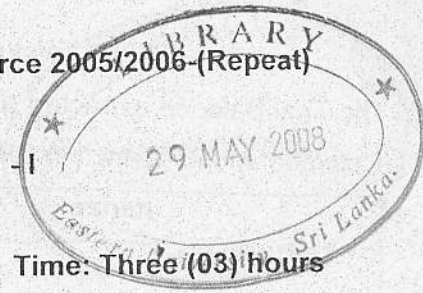


EASTERN UNIVERSITY, SRI LANKA

Second Year Examination in Business Administration/ Commerce 2005/2006-(Repeat)

Special Examination

COM 2013 Advanced Financial Accounting - I



Answer All Questions

Calculator Permitted

Time: Three (03) hours

The Balance sheets of X Ltd and Y Ltd as at 31.12.2007 are as follows:

	X Ltd.	Y Ltd
	Rs.	Rs.
Ordinary Share capital (Rs.10each)	100000	75000
Profit & Loss a/c	50000	25000
Creditors	50000	50000
	<b>200000</b>	<b>150000</b>
Fixed Assets	150000	100000
Stocks	25000	25000
Debtors	5000	5000
Cash & Bank	20000	20000
	<b>200000</b>	<b>150000</b>

On 1.1.2008, X Ltd absorbed Y Ltd. on the following terms.

- The ordinary shareholders of Y Ltd to be allotted X Ltd's 1 ordinary share of Rs.10 each at Rs.15 per share for 1 share held by them.
- All the assets (excluding Cash & Bank) and Liabilities of Y Ltd were taken over by X Ltd at the following values.

Fixed Assets	- Rs. 125000
Stocks	- Rs. 20000
Debtors	-Rs. 4000
Creditors	-Rs. 45000

- Liquidation expenses of Rs.5000 were paid by Y Ltd.

Required:

Open and post into the relevant ledger accounts to close the books of accounts of Y Ltd.

(35 Marks)

2. The Trial Balance extracted as on 31.12.2007 from the books of accounts of the Head Office in Colombo and its branch in Chennai (India) are as follows

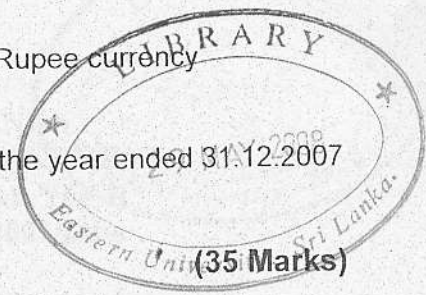
Items	Colombo Head Office		Chennai Branch	
	Dr. (Rs.000)	Cr. (Rs.000)	Dr. (Indian Rs.000)	Cr. (Indian Rs.000)
Capital Account		250		
Profit & Loss Account- 1.1.2007		145		
Fixed Assets	295		170	
Stocks as at 1.1.2007	100		80	
Purchases	600		300	
Goods received from HO			120	
Goods sent to Branch		300		
Sales		630		600
Operating Expenses	110		90	
Head Office Current Account				170
Branch Current Account	420			
Debtors	60		30	
Creditors		300		300
Cash and Bank	40		10	
	<b>1625</b>	<b>1625</b>	<b>800</b>	<b>800</b>

**Additional information:**

- Stocks as at 31.12.2007 (at cost): Head Office - Rs.87000  
Chennai Branch - Indian Rs.78000
- Depreciation on Fixed Assets is to be provided at 10 % p.a at book value for both Head Office and the Branch.
- Exchange Rates are:
  - When Fixed assets were purchased: 1 Indian Rs. = Rs.1.50
  - On 1.1.2007: 1 Indian Rs. = Rs. 1.90
  - On 31.12.2007: 1 Indian Rs. = Rs. 3.00
  - Average rate for the Year: 1 Indian Rs. = Rs. 2.00

**Required:**

1. Convert the Trial Balances of the Chennai Branch into Sri Lankan Rupee currency
2. Prepare the following:
  - i. The Branch Trading and profit and Loss account for the year ended 31.12.2007
  - ii. The Balance sheet as at 31.12.2007



1. The Balance sheets of A Ltd and its subsidiary B Ltd as on 31.12.2007 are as follows.

<b>Liabilities</b>	<b>A Ltd</b>	<b>B Ltd</b>
Ordinary shares of Rs.10 each	500000	200000
General Reserve	50000	10000
Profit and Loss A/C	75000	30000
Creditors	75000	30000
	<b>700000</b>	<b>270000</b>
<b>Assets</b>		
Fixed Assets	225000	100000
Investment in shares of B Ltd.	200000	-----
Stocks	75000	100000
Debtors	100000	10000
Bank	100000	60000
	<b>700000</b>	<b>270000</b>

**Further information:**

A Ltd. acquired 15000 ordinary shares in B Ltd on 31.12.2007.

**Required:**

Prepare the Consolidated Balance sheet as at 31.12.2007.

**(30 Marks)**