

Uva Wellassa University

Faculty of Management

Bachelor of Business Management in Hospitality, Tourism and Events Management

YEAR II SEMESTER I EXAMINATION – FEBRUARY/MARCH 2011

HTE 211-2 Advance Hospitality, Tourism and Events Management



Part C – Essay Questions

Answer four (04) questions including question number 01 in this part.

01.

- a) Ramesh and Sameera were carrying on a business as wholesale traders sharing profit and losses equally. On 31st December 2009 they decided to admit their General Manger Mahesh, as a Partner with a 1/7th share of profits and losses and Ramesh and Sameera continued to get equal shares. Mahesh brought Rs.750,000 as his share of Capital.

Accounting year ends on 31st March each year and following information are provided.

Sales revenue and the net profits for past few years are shown as below.

Year of sales	Revenue net (Rs.000)	Profit or Loss (Rs.000)
2006/2007	3,000	600
2007/2008	4,200	900
2008/2009	3,800	(750)
2009/2010	5,100	1,200

It was decided that the goodwill shall not appear as an asset in the books of partnership and adjusting the total goodwill in capital accounts.

You are required to:

- i) Calculate new profit sharing ratio. (02 marks)
- ii) Compute the goodwill of the firm as at 31st December 2009 based on method shown below.

“Goodwill calculation as two (02) times of the average profits of the last three (03) years ended as of the date on which the new partner was admitted.” (03 marks)

- iii) Show the journal entries in relation to adjusting goodwill in capital account. (02 marks)

- iv) Identify other two (02) situations that may change a partnership excluding entrance of new partner. (01 mark)

02.

- a) The cash book of Sampath Limited showed an overdraft balance of Rs.67,500 as at 31st March 2010.

On scrutiny of the cash book and bank statement it was discovered the followings.

- (i) A cheque for Rs.6,500 was issued to a supplier on 28th March 2010. This cheque was not presented to the bank till 31st March 2010.
- (ii) The bank had debited Rs.2,500 as overdraft interest and Rs. 750 for bank charges. But the bank advice was received by the Company on 20th April 2010.
- (iii) Credit side of the cash book was undercasted by Rs. 100.
- (iv) A cheque for Rs.12,500 was issued to a creditor on 26th March 2010 and was omitted from the cash book. However this cheque had been presented to the bank on 30th March 2010.
- (v) Dividend amounting to Rs.4,500 had been directly deposited to the bank. This has not been entered in the cash book.
- (vi) Cheques for Rs.16,000 were deposited in the bank. These cheques were not credited to the bank account of Sampath Ltd by 31st March 2010.
- (vii) The bank has credited the account in error with Rs.25,000 which belongs to another customer.
- (viii) A cheque drawn by Sampath Limited for Rs.6,900 and presented to the bank on 28th of March has been incorrectly entered in the cash book as Rs.9,600.

You are required to:

- 1) Calculate the adjusted cash book balance.
 - 2) Prepare Bank reconciliation as at 31st March 2010, using the adjusted balance in the cash book. (08 marks)
- b) Outline two (02) reasons of preparing bank reconciliation statement. (02 marks)

(Total – 10 Marks)

03.

a) Below are listed three (03) situations.

- i) P Ltd has paid Rs. 30 million towards the cost of a new hospital in the nearby town of "Lassana Nagaraya", on condition that the hospital agrees to give priority treatment to its employees if they are injured at work.
- ii) Q Ltd has signed a contract to pay its finance director Rs.3 million per year for the next five years. He has agreed to work full time for the firm over that period.
- iii) R Ltd has paid Rs. 250,000 to buy a patent right , giving it the right to sole use, for eights (08) years, of a manufacturing method which save cost.

You are required to:

State whether an asset or a liability is created for each situation. (09 marks)

b) List the elements of financial statements. (01 mark)

(Total – 10 Marks)

04.

a) Kamal depreciates his machinery at a rate of 20% per annum on a reducing balance basis. He provides a full year's depreciation in the year an asset is acquired, and no provision is made in the year of disposal.

At 01st November 2009, the cost of Kamal's machinery was Rs.140,900 and the net book value was Rs.94,570.

During the year to 31st October 2010, a machine which had cost Rs.35,000 and had been depreciated for four years was traded in for a new machine. The new machine cost Rs.50,000 and the trade in value was Rs.14,000. At 31st October 2010 the balance of the cost of the new machine was still outstanding.

Accounting year ends on 31st October each year.

You are required to:

- i) Calculate the depreciation charge for machinery for the year to 31st October 2010. (02 marks)
- ii) Show the Accumulated depreciation account for the year. (03 marks)

b) It can be argued that accountancy research and accounting theory have no place in the standard setting process and are of little practical relevance to the accountant. Such terms as 'agency theory' and 'positive accounting theory' are meaningless to the practicing accountant, and their underlying principles will never have an impact upon accounting practice.

You are required to:

- i) Explain what you understand by the term 'agency theory'. (02 marks)
- ii) Discuss why accountancy research may appear to have little relevance to the practicing accountant. (03 marks)

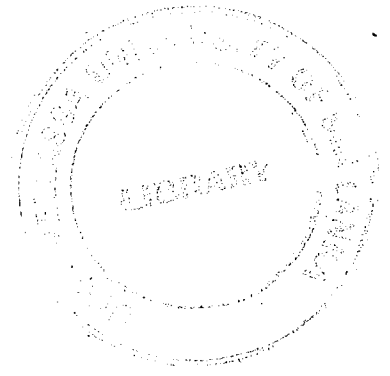
(Total – 10 Marks)

05. The balance sheet of Niroshan Traders as at 31.12.2010 is provided below.

Niroshan Traders						
Balance Sheet as at 31.12.2010						
	Rs. '000	Rs. '000	Assets	Rs. '000	Rs. '000	Rs. '000
Capital			Property, Plant and Equipment	Cost/ Revaluation	Accumulated depreciation	Net Value
Capital as at 01.04.2009	550		Land	2,000	-	2,000
(+) Net profit	<u>9,510</u>		Plant and machinery	3,575	(1,430)	2,145
	10,060		Buildings	3,720	(391)	3,329
(-) Drawings	<u>(180)</u>		Furniture and fittings	280	(138)	142
Capital as at 31.03.2010		9,880		<u>9,575</u>	<u>(1,959)</u>	<u>7,616</u>
Non – current liabilities			Current assets			
12% bank loan from DFCC		500	Stock		925	
			Trade debtors	1,600		
Current liabilities			(-) Provision for doubtful debtors	<u>(80)</u>	1,520	
Trade creditors	580		Prepaid insurance on buildings		1	
Accrued bank loan interest	<u>30</u>	610	Prepaid advertisements		8	
			Cash at bank		875	
			Cash in hand		<u>45</u>	3374
Total capital and liabilities		<u>10,990</u>	Total assets			<u>10,990</u>

Notes to the financial statements:

- 1) Value of physical stock as at 31st March 2010 based on cost and net realisable value which one in lower in accordance with S.L.A.S. 05.



2) Depreciation provided by using straight line method as follows:

- i) Plant and machinery at 20% per annum;
- ii) Buildings at 5% per annum;
- iii) Furniture and fittings at 25% per annum.

You are required to:

Identify and describe five (05) accounting concepts appeared in above balance sheet by aiding examples thereon.

(Any assumption should clearly be stated.)

(10 Marks)

000
t
ie
000
45
29
4
16
74
00