

Uva Wellassa University

Faculty of Management

Degree of Bachelor of Business Management in Entrepreneurship and Management
Degree of Bachelor of Business Management in Hospitality, Tourism and Events Management



2nd YEAR 1st SEMESTER EXAMINATION – MARCH / APRIL 2013

EMG 211-3 Financial Accounting in Management
HTE 211-3/ HTE 251-3 Financial Accounting

Part C – Essay Questions

- Answer four (04) questions including question number 01 in this part.
- Show your all workings very clearly.
- Marks allocated for Part C is 50.

01.

1) Explain the reasons for why Small and Medium Enterprises (SMEs) require, Sri Lanka Financial Reporting Standards (SLFRSs) for financial reporting.

(03 marks)

2) What do you understand by creative accounting?

(02 marks)

Achala and Bimsara were carrying on a business as wholesale traders sharing profit and losses in the ratio 3:2. On 31st December 2012 they decided to admit their General Manger Ganesh, as a Partner with a 1/7th share of profits and losses and Achala and Bimsara continued to get equal shares. Ganesh brought Rs.650,000 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)
2009/2010	4,000	650
2010/2011	4,100	900
2011/2012	3,500	(850)
2012/2013	5,100	1,600

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 profits and losses sharing ratio.

(02 marks)

- ii) Calculate the goodwill of the firm as at 31st December 2012 based on method shown below.

"Purchase by future 2 years of the weighted average net profit of the past 4 years"

(03 marks)

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

(02 marks)

- d) Amila and Banuka are partners of a business. Profit / loss sharing ratio between Amila and Banuka is 3:2. On 31st December 2012 Chanaka joined to the partnership for a 1/5 of the share of profits and losses. Statement of financial position as at 31st December 2012, prior to the admission of Chanaka is as follows.

Statement of financial position

		(Rs.000)	
Capital : Amila	680	Land and buildings	500
: Banuka	400	Plant	400
Bank loans	100	Stocks	150
Trade creditors	70	Trade debtors	80
		Cash	120
<i>Total capital and liabilities</i>	1250	<i>Total assets</i>	1250

Followings agreed at the time of Chanaka's arrival to the partnership.

- i) Estimated goodwill is Rs. 400,000.
ii) It has decided to maintain goodwill account in the books of partnership.

iii) Assets and liabilities are valued as follows:

- Land and buildings	Rs. 900,000
- Plants	Rs. 350,000
- Stocks	Rs. 120,000
- Trade creditors	Rs. 65,000
- Trade debtors	Rs. 70,000

iii) Chanaka introduced Rs. 300,000 as his capital. Expenses incurred on revaluation are Rs. 5,000.

You are required to:

- Prepare the revaluation account
- Capital accounts for the year ended 31st March 2013
- Statement of financial position as at 31st March 2013 after all the transactions

(12 marks)

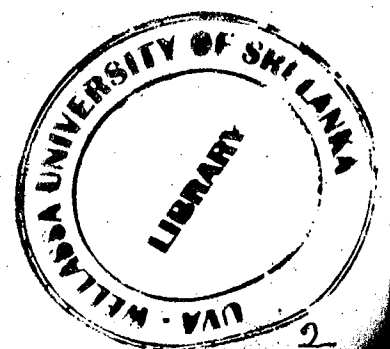
(Total – 20 Marks)

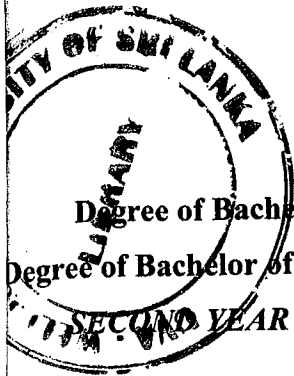
02.

a) Given below are the Cash Book, Bank Statement for the month of March 2013 and the Bank reconciliation statement as at 28.02.2013 of Manoharan and Sons.

Bank Reconciliation Statement as at 28.02.2013

	Rs.	Rs.
Bank balance as per bank statement (credit)		9,800
Add : Unrealised deposits		<u>1,500</u>
		11,300
Unprsented cheques - No 056	1,275	
- No 059	<u>1,500</u>	<u>2,775</u>
Bank balance as per Cash Book		<u>8,525</u>





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SECOND YEAR FIRST SEMESTER EXAMINATION - AUGUST/SEPTEMBER 2014

EMG 211 -3 Financial Accounting in Management

HTE 211-3 Financial Accounting

Instructions to candidates:

- No. of pages : Six (06)
- No. of questions : Seven (07) Essay
- Time : Three (03) hours
- Marks allocated : 100 Marks

Index No:

Answer only 06 questions including question No. 01. Show all the workings clearly. Non programmable calculators are permitted.

01.

i) "Goodwill of a partnership would not be saleable in a piecemeal sale". Elaborate the above statement. Your answer should clearly state whether you agree on the given statement or not.

(06 Marks)

ii) What is meant by "en bloc" sale on dissolution of Partnerships?

(04 Marks)

iii) Amith, Samith and Rasith are in partnership sharing profits and losses in the ratio 2:2:1. They wound up their business on 31/03/2014. The balance sheet as at that date was as follows.

Capital Accounts	Amith	240,000	Land and Building	220,000
	Samith	240,000	Motor vehicle	250,000
	Rasith	80,000	Furniture and Fittings	210,000
			Machineries	40,000
Current Account	Amith	80,000	Stock	40,000
	Samith	56,000	Debtors	60,000
	Rasith	(16,000)	Cash	80,000
Revaluation reserve		100,000		
Creditors		120,000		
		900,000		900,000

A sum of Rs.20,000 was provided for dissolution expenses. The information regarding the asset realization was given below.

Date	Description	Amount (Rs.)
10/04/2014	Realization of Stock	30,000
25/4/2014	Realization of Land and Building	290,000
15/5/2014	Realization of Motor Vehicle	240,000
15/5/2014	Received from Debtors	50,000
10/6/2014	Realization of Furniture and Fittings and Machineries	220,000

The total creditors were settled for Rs.100,000 and Rs. 50,000 received from debtors were considered as the full settlement of debtors balance. As the realization activities were completed on 10/06/2014, the actual realization expense of Rs.15,000 was paid on that date.

You are required to;

- a. Show the priority order of distribution among partners

(10 Marks)

- b. Prepare the cash distribution summery

(10 Marks)

(Total – 30 Marks)

02.

- i) State the distinction between a Partnership and a Limited Liability Company.

(07 Marks)

- ii) State the difference in recording the capital of owners and the division of profits among them in Sole proprietorships, Partnerships and a Limited liability company.

(07 Marks)

(Total -14 Marks)

03.

- i) State the significance of preparing a bank reconciliation statement

(03 Marks)

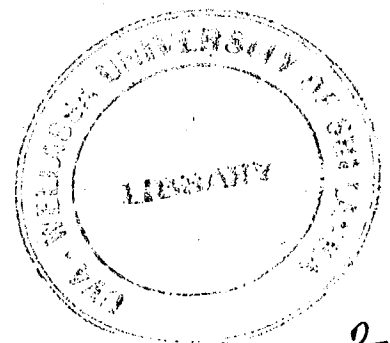
- ii) "Every reason for difference between cash book balance and bank statement balance need an adjusting or correcting entry". Giving examples discuss the above statement.

(05 Marks)

Freehold land on cost	70,000	
Buildings at cost (including the cost of buildings completed during 2007/2008 at Rs. 35 Mn)	60,000	
Furniture and fittings at cost	9,200	
Motor vehicles at cost	18,000	
Equipments at cost	8,000	
Provision for depreciation as at 31 st March 2007		
Buildings		12,500
Furniture and fittings		4,200
Motor vehicles		8,500
Equipments		3,300
Provision for doubtful debts as at 31 st March 2007		3,000
Trade debtors and trade creditors	80,000	68,000
Bank loan		30,000
Provision for gratuity		8,500
Investment in 5 years government rupee loan	15,000	
Call deposit	12,000	
Prepayments and sundry deposits	3,000	
Accruals		4,200
Bank overdraft		2,000
Cash in hand and cash at bank	7,000	
1 st installment of bank loan paid on 31 st March 2008 (including total interest accrued to the date)	4,500	
Interest received on call deposits and other investments		1,500
Interest on bank overdraft	1,800	
Administration, establishment and selling expenses	96,350	
Share premium		3,00
	<u>1,214,850</u>	<u>1,214,850</u>

You are given the following additional information.

- The agreement to obtain the bank loan of Rs. 30 Mn was signed on 01st April 2007 to obtain funds to meet the cost of new building complex completed on 31st March 2008. loan disbursement took place during the year 2007/08 in keeping with the progress of the construction work. As per agreement, the principle amount of the loan has to be settled in 20 annual equal installments with effect from 31st March 2008, along with the accrued interest at 10% per annum.
- Directors have decided to capitalize the total loan interest paid on the above bank loan during the constructions period, in accordance with SLAS 20 : Borrowing Costs.
- A motor vehicle purchased on 15th May 2005 at a cost of Rs. 1,000,000/= had been sold during the financial year 2007/08 for Rs. 700,000/= and new motor vehicle had been purchased to replace it at an agreed price of Rs. 1,250,000/= by making use of the above sales proceeds to settle the part of the deal. And balance has to be paid on 30th April 2008. No entry had been made in this regard in the books of accounts until 31st March 2008.

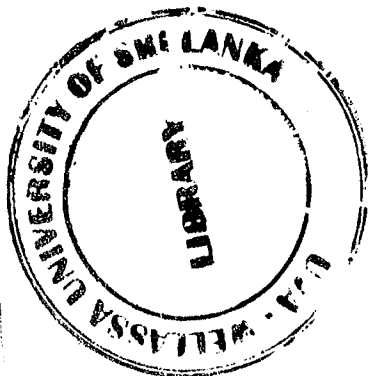


- d) The income tax liability for the financial year 2007/08 has been finalized with the Department of Inland Revenue at Rs. 9,225,000/=
- e) The board of directors resolved to transfer Rs. 10,000,000/= to the general reserve.
- f) Closing stock has been valued at Rs. 57,500,000/=.
- g) The provision for doubtful debt is to be made at 5% of trade debtors.
- h) Administration, establishment and selling expenses and other payments balance include the followings.
- | | |
|-------------------------|-------------|
| Directors remuneration | Rs. 8,480/= |
| Audit fees and expenses | Rs. 325/= |
- i) The company issued 50,000 ordinary shares of Rs. 10/= each at a premium of Rs. 2/= per share at the beginning of the year. This has already been recorded.

You are required to prepare for the purpose of publication,

- I. Income Statement for the year ended 31st March 2008. (12 Marks)
- II. Balance Sheet of the company at the same date. (12 Marks)
- III. Statement of changes in equity. (02 Marks)
- IV. Notes to the financial statements. (04 Marks)

(Total 30 Marks)



3. Purchased office equipments for Rs.500,000
4. Purchased goods on credit for Rs.600,000
5. Goods worth of Rs. 780,0000 were sold for Rs.1,500,
6. Goods worth of Rs 600,000 were sold to Raheem enterprises for Rs.1,100,000,
7. Cash paid to creditors Rs.500,000
8. Cash received from trade debtors Rs.2,490,000. Discount allowed Rs.10,000
9. Administrative expenses paid Rs.150,000
10. Loan installment paid Rs.150,000 including interest of Rs.25,000

You are required to;

- a. Record the opening balances and the above transactions in the following accounting equation

$$\text{Assets} = \text{Liability} + \text{Capital}$$

(08 Marks)

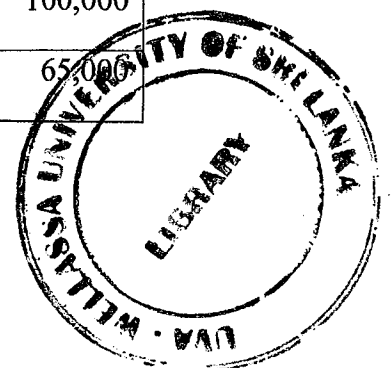
- b. Prepare the Balance sheet of Razak enterprises as at 31st January 2014 after recording the above transactions.

(06 Marks)

(Total – 14 Marks)

07. As per LKAS 16 Property Plant and Equipment, an entity shall choose either Cost model or Revaluation model for measurement of Property Plant and Equipment after recognition. Based on this ABC PLC decided to adopt the revaluation model in measurement after recognition of their machineries from the year 2012. The company currently owned four machineries of which carrying amount and fair values are given to you.

Machinery	Carrying amount (Rs) As at 31/12/2012	Fair Value (Rs) As at 31/12/2012	Fair Value (Rs) As at 31/12/2013
A	100,000	120,000	110,000
B	80,000	70,000	95,000
C	150,000	180,000	100,000
D	70,000	50,000	65,000



You are required to prepare;

i) Four asset accounts for the year 2012 and 2013

(04 Marks)

ii) Extracts of the income statement of year 2012 and 2013

(05 Marks)

iii) Revaluation surplus account

(05 Marks)

(Total – 14 Marks)