



SLIATE

SRI LANKA INSTITUTE OF ADVANCED TECHNOLOGICAL EDUCATION
(Established in the Ministry of Higher Education, vide in Act No. 29 of 1995)

Higher National Diploma in Business Administration

HNDBA 1st Year, 1st Semester Examination – 2017

BA 1153: Financial Accounting

Instructions for Candidates:

Answer **five** questions including no.01, 02, 03 & 04

Calculator Allowed

No. of questions : 06

No. of pages : 08

Time : 03 (hours)

Question 01 (Total marks 20)

- I. Briefly explain why Accounting is treated as “Business Language” (Marks 02)
- II. Mention four objectives of financial accounting (Marks 02)
- III. State whether following statements are true or false
 - a. The main objective of accounting is to produce information on a business entity to stakeholders of the entity.
 - b. Both tangible and intangible assets which are used more than one accounting period can be recognized as PPP as per LKAS 16
 - c. Sum of profit for the year and all comprehensive income can be called as net assets of a firm.
 - d. Difference between Fair value of an assets and Carrying amount of an assets can be recognized as “Impermanent Loss”
 - e. Components of a complete set financial statements include value added statement and statement of corporate social responsibility. (Marks 05)
- IV. From following information calculated opening capital

Closing capital	Rs. 125000	
Drawings during the year	Rs.40000	
Profit for the year	Rs 50000	(Marks 02)
- V. It was observed that a mismatch between debit and credit balance at the time of preparation of the trial balance of an entity. The difference was transferred to Suspense account. Subsequent audit discovered following errors.
 - Overcast purchase journal by Rs.20000.
 - Credit invoice of Rs. 25000 was totally omitted from the book of accounts.
 - Bad debt of Rs.8500 was correctly recorded in bad debt account. But it was credited to debtors account as Rs.5800.

Find out balance of suspense account before rectifying above errors (Marks 03)

- VI. Following information regarding an assets is provided
- | | |
|--|----------------------------|
| Date of acquisition | 1 st April 2014 |
| Cost of assets | Rs.100000 |
| Useful life | 10 years |
| Depreciation method | Straight Line |
| Fair Value as at 31 st March 2017 | Rs.85000 |

Calculate revaluation surplus as at 31st March 2017 and give journal entry to record this revaluation surplus. (Marks 03)

- VII. Identify source documents of following transactions

- Purchase goods on credit
- Sales goods on credit
- Return inwards
- Return outward
- Payment made in cash
- Income received in cash

(Marks 03)

Question 02 (Total marks 30)

Trial Balance of JKH PLC as at 31st March 2017 with following additional information given to you

		Rs.000'
Revenue		25,950
Purchase	11,500	
Sales Return	50	
Purchase Return		150
Property, Plant and Equipment at cost	22,000	
Accumulated Depreciation as at 1 st April 2017		5,650
Opening Stock	210	
Administration Expenses	1,890	
Distribution Expenses	2,140	
Provision for income tax for 2015/16		400
Income Tax Paid		
For 2015/16	600	
For 2015/16	900	
Account Receivable	440	
Account Payable		340
Bank Loan		6,700
Loan instalment paid	1950	

Ordinary dividend paid	50	
Ordinary Share Capital		3,300
Retained Earnings		1,260
Revaluation Reserves		260
10% Preference Share Capital		5,000
8% Debentures		1,000
Provision for Doubtful Debt		40
Cash and cash equivalents	8,320	
	50,050	50,050

Additional information. Rs. 000'

- a. Closing stock as at 31st March 2017 at cost Rs.150 and as net realizable value Rs.160
- b. Following information related to PPE
 - PPE at cost and their accumulated depreciation as at 1st April 2017

Item	Cost	Accumulated Depreciation
Land	5200	
Building	6500	3000
Furniture and Fittings	500	100
Motor Vehicle	8000	2000
Computer Equipment	300	150

- The firm depreciates PPE for entire year of purchase and no depreciation for the year of disposal.
- The firm depreciates PPE at following rate on straight line basis.

Item	Rate of Depreciation
Building	5%
Furniture and Fittings	10%
Motor Vehicle	20%
Computer Equipment	25%

- Fair Value of land was estimated to Rs.5500 on 31st March 2017 and entries regarding this is yet not passed.
- Furniture and fittings which were purchased on 1st Oct 2015 at Rs.1000 had been disposed on 1st Jan 2017 for Rs.950. No entries had been passed this regard except crediting sales proceed to revenue account and debiting to cash and cash equivalent account.

- During the current financial year the firm has purchase following item of PPE and they had been dully recorded at the date of acquisition.

Item	Cost
Furniture and fittings	300
Computer Equipment	200

- Income tax liability of the firm has been estimated to Rs.1200 for 2016 /2017 financial year and it revealed under provision of Rs.200 for previous year.
- Bank loan instalment include interest of Rs.1200
- Following expenses were accrued during the year
Electricity Rs. 10, Telephone Rs. 15 and Salary Rs. 200
- Following bills were prepaid during the year
Insurance Rs. 25 and Building Rent Rs.50
- The firm had issue issued ordinary shares worth of Rs.5000 under right issue on 1st Oct 2016. Except debiting and crediting respectively to cash and cash equivalent account and revenue account, no entries have been passed regarding this.
- The board of directors of the firm has taken following decisions at the board meeting conducted on 20th March 2017. But effects of these were yet not recorded in the financial statements.
 - Redeemed one half of preference share capital on 31st March 2017 with premium of 5%
 - Redeem one fourth (1/4) of debenture on 31st March 2017 with the premium of 10%
 - Transferred Rs.200 to General reserves on 31st March 2017
- Provide doubtful debt provision at 10%

Prepare following financial statements for publication.

- Statement of comprehensive income for year ended 31st March 2017
- Statement of changes in equity for the year ended 31st March 2017
- Statement of financial position as at 31st March 2017
- Accounting notes

Question 03 (Total marks 20)

Apple PLC has acquired 80% of Dell PLC on 1st Oct 2015. At that date Retained earnings accounts of Dell PLC stood at Rs.3500 and No general reserve at that date.

Statements of financial position of these two companies as at 31st March 2017 appear bellow.

Rs. 000'

Assets	Apple PLC	Dell PLC
Non- Current Assets		
PPE	15,000.00	13,590.00
Investment in Dell PLC	10,000.00	-
Investment	2,000.00	-
Current Assets		
Inventory	3,000.00	2,000.00
Account Receivable	510.00	490.00
Dividend Receivable	160.00	-
Cash and cash Equivalent	1,080.00	920.00
Current AC	250.00	-
	32,000.00	17,000.00
Equity and Liabilities		
Equity		
Ordinary share capital	18,000.00	7,000.00
General reserve	4,000.00	1,000.00
Retained earnings	3,000.00	5,000.00
Non-Current Liabilities		
Bank Loan	4,000.00	3,700.00
Current Liabilities		
Account Payable	2,300.00	
Current Account	-	100.00
Dividend Payable	700.00	200.00
	32,000.00	17,000.00

Additional information Rs.000'

- The fair value of Net identifiable assets of Dell PLC was estimated to Rs.11250 on 1st Oct 2015. The excess of fair vale should be recognized on property plant and equipment.
- Apple PLC has sold goods at invoice price of Rs.1200 to Dell PLC during the current financial year and Dell PLC was able to sell only 75% of goods purchased from Apple PLC by the end of the current financial year. Apple PLC invoice goods having added 20% on cost price.
- Except intercompany dividend all other intercompany transactions were recorded though current account.
- Dell PLC had remitted Rs.100 to Apple PLC on 28th March 2017. But it received to Apple PLC during the first week of April 2017.
- Advertisement expenses of Rs.50 had been paid by Apple PLC on behalf of Dell PLC. Dell PLC had not passed accounting entries regarding this.
- Impairment loss of Rs.100 should be recognized at the end of current financial year.

Prepare consolidated statement of financial position of Apple PLC group as at 31st March 2017.

Question 04 (Total marks 20)

Summarized statement of income of KID PLC for the year ended 31st March 2017 and statement of financial position as at that date are available to you with following additional information.

Income statement

Rs. 000'

Profit before interest and tax	5000
Interest	500
Profit before tax	4500
Tax expenses	1500
Profit for the year	3000

Statement of financial position

Rs.000'

Non-Current Assets	2016/17	2015/16
PPE	12650	9800
10% Investment	3000	3000
Current Assets		
Inventory	400	800
Account Receivable	500	925
Investment income receivable	15	10
Cash and cash equivalent	1435	2465
Equity and liability		
Equity		
Ordinary share capital	5500	5000
Preference share capital	2000	4000
Revaluation reserve	1500	1000
General reserve	1600	1500
Retained earnings	3500	1200
Non-current Liabilities		
Bank Loan	1800	2000
Lease Creditors	1580	1890
Current Liabilities		
Account Payable	420	300
Tax Payable	70	50
Interest Payable	30	40
Dividend Payable	-	20
	18000	17000

Additional information, Rs.000'

- Land on 1st April 2016 was Rs.2000 and it was revalued to Rs.2500 during the year and Revaluation deficit of Rs.200 had been recognized regarding this land in previous financial year.

- A new land at the cost of Rs.2000 had also been acquired on during the year.
- A motor vehicle which had carrying of Rs.500 was disposed to Rs.600
- Purchased a new motor vehicle at the cost of Rs.2000 and Furniture and fittings at the cost of Rs.200 during the current financial year.
- Depreciation provided during the year given to you as follows

Building	Rs.300
Motor vehicle	Rs.1000
Furniture and fittings	Rs.50
- Redeemed one half of preference share capital
- Transferred Rs100 to General reserve account

Prepare cash flow statement for the year ended 31st March 2017 under indirect method

Question 05 (Total marks 10)

Following information is extracted from the financial statement of CC PLC for 2016/17

	Rs 000'
Revenue	8000
Cost of Sales	6000
Profit before tax	500
Tax expenses	100
Financial expenses	200
Capital employed	8000
Equity	2000
Account Receivable	
1st April 2016	50
31st March 2017	150
Inventory	
1st April 2016	450
1st March 2017	350
Account Payable	
1st April 2016	200
1st March 2017	100

Additional information

- No. of shares issued 100000
- Market price per share on 31st March 2017 Rs.40

Calculate following ratios from the above information

- i. Gross profit margin
- ii. Net Profit margin
- iii. Return on capital employed (ROCE)
- iv. Earnings per share
- v. Price Earnings Ratio

Question 06 (Total marks 10)

Following information are extracted from financial statement of ZZ PLC for 2016/17

	Rs. 000'
Payment made to creditors	7,240.00
Receipt from debtors	12,430.00
Return inwards	30.00
Return outwards	45.00
Discount received	15.00
Discount allowed	36.00
Dishonoured issued cheque for creditors	155.00
Dishonoured received cheque from debtors	280.00
Forfeited discount allowed	5.00
forfeited discount received	16.00
Balance as at 1st April 2016	
Account Receivable	1450 Dr & 18 Cr
Account Payable	983 Cr & 12 Dr
Balance as at 31st March 2017	
Account Receivable	2340 Dr & 34 Cr
Account Payable	1053 Cr & 16 Dr
Credit Purchase	?
Credit Sales	?

Prepare account payable and account receivable control account