

EASTERN UNIVERSITY, SRI LANKA
FACULTY OF COMMERCE AND MANAGEMENT

Second Year First Semester Examination in Bachelor of Business Administration /
Bachelor of Commerce 2012/2013 (March 2015) (Proper/Repeat)

DAF 2023 Advanced Accounting

29 APR 2015

Answer All Questions

Calculator Permitted

Time: Three (03) hours

1. a. The Balance Sheet of Sunil Ltd on 1-1-2011 was as follows:

Liabilities	Rs.	Assets	Rs.
Equity share capital (Rs. 100)	200,000	Sundry Assets	460,000
Preference share capital (Rs. 10)	100,000	Investment	40,000
General Reserve	48,000		
Profit and Loss Account	50,000		
Liabilities	102,000		
	500,000		500,000

Preference shares were due for immediate redemption at Rs.100. To finance redemption, investments of the book value of Rs. 40,000 were sold at a profit of 25% and equity shares were issued at Rs 100. It was also decided to utilise free reserves to the minimum extent possible.

On 31-3-2011, it was decided to issue bonus shares in the ratio of 2 for 5.

Required:

Pass journal entries and show balance sheet after bonus issue assuming that holder of 100 preference shares were not traceable.

(10 Marks)

b. Sunil Plc. invited applications for 10,000 shares of Rs. 100 each payable as follows :

	Rs.
on application	50
on allotment	30
on first call	20

Applications were received for 10,000 shares and full allotment was made to all the applicants. Mr. Ram to whom 500 shares were allotted, failed to pay allotment money and his shares were forfeited. After making first call, forfeited shares were reissued @ Rs. 80 per share as fully

called and paid up. Mr. Tharma, holding 100 shares, failed to pay first call money demanded by the company. Pass journal entries.

Required:

Pass journal entries and prepare the Ledgers of accounts

(10 Marks)

(Total 20 Marks)

02. The followings are the financial statements of the Perera Plc.

The Comprehensive Income Statement for the year ended 31.12.2012

	Rs.
Sales	2040,000
Less : Cost of sales	1360,000
Gross profit	680,000
Less : Operating Expenses :	
Administration	(230,000)
Depreciation	(110,000)
Operating Profit	340,000
Add: Non-operating Incomes (dividend received)	25,000
	365,000
Less: Interest Paid	(70,000)
Profit before tax	295,000
Less: Income Tax	130,000
Profit after tax	165,000

The Financial Position as at

Item	31.12.2012 Rs.	31.12.2011 Rs.
Non-Current Assets	1000,000	850,000
Stocks	350,000	340,000
Debtors	330,000	360,000
Bills Receivable	15,000	20,000
Cash in hand	35,000	30,000
	1730,000	1600,000
Share Capital	500,000	500,000
Profit & Loss account	500,000	425,000
Long term loans	530,000	500,000
Creditors	200,000	175,000
	1730,000	1600,000

The Statement of Retained Earnings

Opening Balance	425,000
Add: Profit	165,000
	590,000
Less: Dividends	90,000
Closing Balance	500,000

Required:

Prepare the Statement of cash-flow of the Perera Plc for the year ended 31.12.2012.

(20 Marks)

03. (I) Two components X and Y are used as follows:

Normal usage	—	600 units per week each
Maximum usage	—	900 units per week each.
Minimum usage	—	300 units per week each.
Re-order quantity	—	X 4,800 units, Y 7,200 units.
Re-order period	—	X 4 to 6 weeks, Y 2 to 4 weeks.

Calculate for each component:

- | | |
|---------------------|--------------------------|
| (a) Re-order level, | (b) Minimum level, |
| (c) Maximum level, | (d) Average stock level. |

(06 Marks)

(II) From the figures given below, calculate Economic Order Quantity and number of orders to be placed per year.

Total consumption of material per year	10,000 kg
Buying cost per order	Rs. 50
Unit cost of material	Rs. 2 per kg
Carrying and storage cost	8% on average inventory

(05 Marks)

(III) The following transactions occur in the purchase and issue of a material in 2013:

2	Jan	Purchased	4200 units @ Rs. 5.00 per unit.
20	Jan	Purchased	500 units @ Rs. 6.00 per unit.
5	Feb	Issued	1500 units.
10	Feb	Purchased	8000 units @ Rs. 8.00 per unit.
12	Feb	Issued	3500 units.

2	Mar	Issued	500 units.
15	Mar	Purchased	4500 units @ Rs. 4.00 per unit.
20	Mar	Issued	3000 units.

Required:

- (i) Prepare the Stores Ledger Account charging material issues in FIFO and LIFO Methods.
- (ii) What would be the value of stock in hand at the end of the period according to each of the two methods?

(09 Marks)

(Total 20 Marks)

04. (I) From the following data tabulate the total earnings of each worker separately

(a) Worker	A	B	C	D	E	F
(b) Allowed-hours	3	4	5	6	7	8
(c) Actual hours	5	3	4	5	3	3
(d) Basic wages per hr. Rs.	2	2	2	2	2	2

Required:

Calculate the earnings of each worker under the Halsey and Rowan schemes of incentive payment:

(05 Marks)

(II) AMS Plc provides the following information:

No. of employees on 1-1-2013: 7,000

No. of employees on 31-12-2013: 8,500

No. of employees resigned: 450

No. of employees discharged: 175

No. of employees replaced: 300

Required:

Calculate Labour Turnover Rates under the

- a. Flux Method
- b. Replacement Method
- c. Separation Method

(05 Marks)

(III) In Bata Electronics, the following particulars have been collected for the three months ending 31 Dec. You are required to prepare an overhead distribution summary.

Items		Production Departments			Service Departments	
		A	B	C	D	E
Direct wages	Rs.	2,000	3,000	4,000	1,000	2,000
Direct materials	Rs.	1,000	2,000	2,000	1,500	1,500
Staff	Nos.	100	150	150	50	50
Electricity	Kwh.	4,000	3,000	2,000	1,000	1,000
Light points	Nos.	10	16	4	6	4
Assets value	Rs.	60,000	40,000	30,000	10,000	10,000
Area occupied	Sq. Yd.	150	250	50	50	50

The expenses for the period were:

Motive power	Rs. 550	Depreciation	Rs. 15,000
Lighting	100	Repairs and maintenance	3,000
Stores overhead	400	General overheads	6,000
Amenities to staff	1,500	Rent and taxes	275

- Apportion the costs of service department E on the basis of direct wages and that of department D in the ratio of 5:3:2 to production departments A, B and C respectively.
- Calculate the overhead absorption rates for each of the production departments assuming that overheads are recovered as a percentage of wages.

(10 Marks)

(Total 20 Marks)

05. (I) The information of XY plc given below :

(a)

Month	Sales Rs.	Materials Rs.	Wages Rs.	Overheads Rs.
February	14,000	9,600	3,000	1,700
March	15,000	9,000	3,000	1,900
April	16,000	9,200	3,200	2,000
May	17,000	10,000	3,600	2,200
June	18,000	10,400	4,000	2,300

(b) Credit terms are :

Sales and debtors-10% sales are on cash, 50% of the credit sales are collected next month and the balance in the following month.

Creditors -	Materials	2 months
	Wages	¼ month
	Overheads	½ month

(c) Cash and bank balance on 1st April, 2010 is expected to be Rs. 6,000.

(d) Other relevant informations are :

- I. Plant and machinery will be installed in February 2010 at a cost of Rs. 96,000. The monthly installment of Rs. 2,000 is payable from April onwards.
- II. Dividend 5% on Preference Share Capital of Rs. 200,000 will be paid on 1st June.
- III. Advance to be received for sale of vehicles Rs. 9,000 in June.
- IV. Dividends from investments amounting to Rs. 1,000 are expected to be received in June.
- V. Income tax (advance) to be paid in June, is Rs. 2,000.

Required:

Prepare a Cash Budget of XY plc for the three months ending 30th June, 2010

(12 Marks)

(II) Srilal Company has a capacity to produce 5,000 articles but actually produces only 2,000 articles for home market at the following costs.

		Rs.
Materials		40,000
Wages		36,000
Factory Overheads	- fixed	12,000
	- Variable	20,000
Administration overhead	- fixed	18,000
Selling and distribution overheads	- fixed	10,000
	- Variable	16,000
	Total cost	<u>152,000</u>

The home market can consume only 2,000 articles at a selling price of Rs. 80 per article. An additional order for the supply of 3,000 articles is received from a foreign country at Rs. 65 article. Should this order be accepted or not, if execution of this order entails an additional packing cost of Rs. 8,000.

(08 Marks)

(Total 20 Marks)