EASTERN UNIVERSITY, SRI LANKA

Faculty of Commerce and Management

Second Year First Semester Examination in Bachelor of Business Administration/Bachelor of Commerce – 2016/2017 (July/August 2018)

Proper/Repeat

DAF 2023 – Advanced Accounting

Answer the all Questions

No of pages: 07 **Time: 03 Hours**

Q01 **a.** The following figures are taken from the books of Sujeeva Ltd., for the year ending 31st March, 2018. The valuation of inventory is Rs. 1 per kg or Litre.

Items	Opening stock	Purchases	Closing stock
Material X	700 kg	11,500 kg	200 kg
Material Y	200 Litres	11,000 Litres	1,200 Litres
Material Z	1,000 kg.	1,800 kg	1,200 kg

Calculate the material turnover ratio of the above material items and express in number of days the average inventory is held.

(08 Marks)

b. The personnel department of JKH Company Ltd., gives you the following information regarding labour:

Number of employees in the beginning of the month.	1,550
Number of employees at the end of the month	1,850
Number of employees resigned	200
Number of employees discharged	20
Number of employees replaced due to quits and discharges	170

You are required to calculate the labour turnover by using the following methods.

a) Separation Rate Method

b) Replacement Rate Method

c) Flux Rate Method

(06 Marks)

C. Transactions reported in respect of a particular stock item in a given period are as follows:

1st Feb - Stock on hand 60 units @ Rs.7.50 per unit

3rd Feb - Sales 40 units

5th Feb - Received 90 units @ Rs. 8.00 per unit

8th Feb - Sales 50 units

9th Feb - Returned to supplier 15 units (received on 5 Feb)

Required

You are required to calculate the value of the stock balance as at 9th February, u
following methods,

a. First In First Out Method (FIFO)

b. Last In First Out Method (LIFO)

(06 Ma

(Total 20 Ma

Q 02 **a.** The Statement of Financial Position of Mankkala Ltd. as on 31st March, 2018 i
follows:

Particulars	**Rs.**
ASSETS	
Non Current Assets	
Tangible asset	650,000
Non-current investments	250,000
Current Assets	
Cash at Bank	220,000
Total Assets	**1,120,000**
EQUITY AND LIABILITIES	
Shareholders' funds	
Share capital	600,000
Reserves and Surplus	330,000
Current Liabilities	
Trade Payables	190,000
Total Liabilities	**1,120,000**

The share capital of the company consists of Rs.40 each equity shares of Rs. 200,0
and Rs.50 each Preference shares of Rs. 400,000 (issued on 01.04.2015). Reserve
and Surplus comprises Retained earnings only.

In order to facilitate the redemption of preference shares, the Company decided:

- to sell all the investments for Rs.120,000.
- to finance part of redemption from company funds, subject to, leaving a ba
balance of Rs.180,000.
- to issue minimum equity share of Rs.40 each to raise the balance of fun
required.

You are required to pass:

The necessary Journal Entries to record the above transactions and prepare t
balance sheet as on completion of the above transactions.

(10 Marks

b. Lal company's statement of financial position and Income statement are given below,

Lal company's
Statement of financial position
as at 31st March 2018

	2017	2018
Assets	**Rs.**	**Rs.**
PPE	1,000,000	800,000
Inventory	800,000	700,000
Accounts Receivable	420,000	460,000
Prepaid Rent	70,000	50,000
Cash	100,000	130,000
Total Assets	**2,390,000**	**2,140,000**
Liabilities		
Stated Capital	1,915,000	1,660,000
Accounts Payable	300,000	360,000
Accrued Wages	175,000	120,000
Total Liabilities	**2,390,000**	**2,140,000**

Lal company's
Statement of Income
for the year ended 31st March 2018

	Rs.
Sales	5,000,000
Cost of Goods Sold	3,500,000
Gross Margin	1,500,000
Rent Expense	(240,000)
Wage Expense	(800,000)
Depreciation Expense	(150,000)
Net Income	310,000

Required

Prepare the Statement of Cash Flows for the year ended 31st March 2018 reporting the cash flow from operating activities in Indirect Method

(10 Marks)

(Total 20 Marks)

Q03 a. Sandstorm is a contracting engineering company which has three production departments (forming, machines and assembly) and two service departments (maintenance and general).

The following analysis of overhead costs has been made for the year just ended.

	Rs.	Rs.
Rent and rates		8,000
Power		750
Light, heat		5,000
Repairs, maintenance:		
Forming	800	
Machines	1,800	
Assembly	300	
Maintenance	200	
General	100	3,200

Departmental expenses:		
Forming	1,500	
Machines	2,300	
Assembly	1,100	
Maintenance	900	
General	1,500	7,300
Depreciation:		
Plant		10,000
Fixtures and fittings		250
Insurance:		
Plant		2,000
Buildings		500
Indirect labour:		
Forming	3,000	
Machines	5,000	
Assembly	1,500	
Maintenance	4,000	
General	2,000	15,500
		52,500

Other available data are as follows:

	Floor area	Plant value	Fixtures & fittings value	Effective horse-power	Direct cost for year	Labour Hours Worked	Mach hou work
	sq. ft	Rs.	Rs.		Rs.		
Forming	2,000	25,000	1,000	40	20,500	14,400	12,
Machines	4,000	60,000	500	90	30,300	20,500	21,
Assembly	3,000	7,500	2,000	15	24,200	20,200	2,
Maintenance	500	7,500	1,000	5			
General	500	–	500	–	–	–	
	10,000	**100,000**	**5,000**	**150**	**75,000**	**55,100**	**35,**

Service department costs are apportioned as follows:

	Maintenance %	General %
Forming	20	20
Machines	50	60
Assembly	20	10
General	10	-
Maintenance	-	10
	100	**100**

Required

a) Using the data provided prepare an analysis showing the distributio overhead costs to departments. **(15 Ma**

b) Reapportion service cost centre costs (maintenance and general) using repeated reciprocal method. **(05 Ma**

(Total 20 Ma

Q04 a. Dimo Ltd issued 100,000 Equity Shares of Rs. 10 each; Rs. 3 payable on Application, Rs. 2 on Allotment, Rs. 2 on First Call and Rs. 3 on Final Call. All the money payable on Application, due on Allotment and calls have been received with the following exceptions:

Anald who holds 1,000 shares has not paid the money due on Allotment and Calls.
Banu who holds 500 shares has not paid the money due on First and Final Calls.
Kamal who holds 300 shares has not paid the amount due on Final Call.
The shares of Anald , Banu and Kamal were forfeited. These shares were subsequently reissued for Rs. 9.

Required:

Pass journal entries recording the above transactions relating to issue and reissue of forfeited shares.

(10 Marks)

b. A company manufactures three products. Sales demand for the products in the next period is estimated to be:

Product A	6,200 units
Product B	8,000 units
Product C	11,500 units

Selling prices and unit costs are:

	Product A Rs. per unit	Product B Rs. per unit	Product C Rs. per unit
Selling price	9.70	11.10	13.80
Costs:			
Direct materials	2.80	3.90	4.92
Direct labour (Rs. 8 per Hour)	2.40	2.40	3.20
Variable overhead	0.90	0.90	1.20
Fixed overheads	2.70	2.70	3.60

The company is experiencing a shortage of direct labour and the personnel and production departments estimate that a maximum of 8,500 hours will be available in the next period.

Required:

a) Calculate the shortfall in labour hours for the next period. **(3 Marks)**

b) Determine the production schedule that will optimize the use of the labour hours for the next period and maximise profit. **(4 Marks)**

c) Calculate the contribution for the next period that will arise as a result of adopting the plan in part (b). **(3 Marks)**

(Total 20 marks)

Q 05 **a.** The factory overhead costs of four production departments of a company engage[d in] executing job orders, for an accounting year, are as follows:

production departments	factory overhead costs
P	3,750
Q	12,000
R	25,000
S	7,500

Overhead has been applied as under:

Deptt. P Rs. 5 per piece, for 1,050 pieces.
Deptt. Q Rs. 2.50 per Direct Labour Hour for 2,500 hours.
Deptt. R Rs. 1.75 per Machine Hour for 18,000 hours.
Deptt. S Rs. 75% of Direct Labour Cost of Rs. 12,000

Find out the amount of department-wise under-or over-absorbed factory overheads

(08 Mar

b. A firm makes two products, Major and Minor, and is developing its budget for the ne period.

	Major	Minor
	15,500	19,000
Selling price per unit	Rs 80	Rs 65
Material cost (Kg)	7	4.5
Labour hours (Dep. 1)	3.6	1.8
(Dep. 2)	2.8	1.1

Material Z costs Rs 3.2 per kg and Dep. 1 labour is Rs 4.50 per hour and Dep. 2 Rs per hour Production overheads are Dep. 1 Rs 178,000 and Dep 2 Rs 125,000 and a absorbed on labour hours.

Administration overheads are Rs 85,000 and are absorbed on labour cost.

Opening and closing stocks are budgeted as follows.

	Major	Minor	Material Z
Opening stocks	800 units	1400 units	7500 kg
Closing stocks	1350 tuiits	1100 units	4200 kg

Required:

a) Sales Budget
b) Production Budget (units)
c) Material Z Purchase budget (Kg & Rs)
d) Departmental Labour Budgets (hours & Rs)

(12 Ma

(Total 20 Ma