

EASTERN UNIVERSITY, SRI LANKA
FACULTY OF COMMERCE AND MANAGEMENT



Second Year / First Semester Examination in Business Administration / Commerce
 2009/2010 (May 2011) (Re-Repeat)

DAF 2114 Advanced Financial Accounting - I

Answer All Questions

Calculator Permitted

Time: Three (03) hours

GLO plc issued 60,000 equity share of Rs.20 each to the public on the following terms:

Value of each share is payable as follow:

- On application Rs.6
- On allotment Rs.8
- On first call Rs.4
- On Second and final call Re.2

Applications were received for 80,000 shares. The excess amounts paid on application to be adjusted against the amount due on allotment. The shares were fully called and paid up except amount on first and second calls which are not paid by those who were allotted 4,000 shares. All the shares on which calls were not paid were forfeited by the Board of Directors. Out of the forfeited shares 2000 shares were re-issued as fully paid on receipt of Rs.18 per share.

Required:

Write the journal entries for the above transactions and Prepare relevant ledger accounts

(25 Marks)

The Balance Sheet of KFC plc as at 31.12.2010 is as follows:

Liabilities	Rs.	Assets	Rs.
Ordinary shares of Rs.10 each	1000000	Non current Assets	1000000
10% Redeemable Preference shares of Rs.10 each	600000	Investment	500000
Profit & Loss Account	300000	Debtors	400000
Creditors	100000	Cash & Bank	100000
	2000000		2000000

The 30000 share of the 10% redeemable preference shares were to be redeemed at par on 01.01.2011 out of the distributable profits amounting to Rs.200000. The company issued sufficient number of ordinary shares of Rs.10 each at a par to back up the balance of fund required. All the shares were subscribed fully and cash duly received. Part of investments

costing Rs.200000 was sold for Rs.250000. Payment was duly made to the preference shareholders.

Required:

Open relevant ledger accounts and Post into them the above transactions, and draft the Balance sheet of the company after the redemption of preference shares

(25 Marks)

03. The summarized Balance Sheet of PIN plc as on 31st December, 2010 was as follows:

Liabilities	Rs	Assets	Rs
Ordinary Shares of Rs.10 fully paid	500000	Land, Building and plant	650000
General Reserve	100000	Goodwill	100000
Profit and Loss Account	150000	Stock	150000
12% Debentures	200000	Debtors	60000
Creditors	50000	Cash	40000
	1000000		1000000

NIL plc agreed to absorb the business of PIN plc, with effect from January 1st, 2011 by taking over all the assets of PIN plc excluding cash balance. The purchase consideration payable by NIL plc was agreed as follows:

- A cash payment equivalent to Rs. 2.00 for every ordinary share in PIN plc.
- The issue of 50,000 ordinary shares of Rs.10 each fully paid in NIL plc having an agreed value of Rs.12 per share
- The issue of such an amount of fully paid 10% Debentures in NIL plc at 90 percent as it is sufficient to discharge 12% Debentures in PIN plc at a premium of 10 percent.

When computing purchase consideration, NIL plc valued Land, Building and Plant at Rs.7,00,000, Stock at Rs.1,40,000 and Debtors at their face value subject to a provision of 10 percent for doubtful debts. The cost of liquidation of PIN plc of Rs.10,000 was paid by it.

Required:

- Close the books of PIN plc
- Pass journal entries in the books of NIL plc regarding absorption of business of PIN plc.

(25 Marks)

The Balance Sheets of HOC plc and its subsidiary SDC plc as at 31.12.2010 are as follows:

Liabilities	HOC	SDC	Assets	HOC	SDC
Share Capital (Rs.10)	900000	600000	Land & Buildings	300000	480000
General Reserve	100000	150000	Plant & Machinery	250000	190000
Profit & Loss A/C	120000	100000	Investments	550000	100000
Creditors	150000	100000	Stocks	115000	70000
Bills Payable	30000	50000	Debtors	120000	60000
			Bills receivable	50000	45000
			Cash & Bank	115000	55000
	1500000	1000000		1500000	1000000

Additional Information:

- HOC plc acquired 48000 ordinary shares of Rs.10 each held in SDC plc on 30.06.2010 for Rs.550000.
- SDC plc had a debit balance of Rs.30000 in its profit and loss account, and Rs.100000 in general reserve account as at 01.01.2010.
- The profits of SDC plc for the year ended 31.12.2010 were earned evenly throughout the year.
- Bills Payable of HOC plc includes Rs.10000 drawn in favour of SDC plc.
- Stocks of HOC plc include goods purchased from SDC plc for Rs.24000, which were invoiced by the latter at a profit of 20% plus cost.

Required:

Prepare the Consolidated Balance sheet as at 31.12.2010.

(Show all the workings clearly)

(25 Marks)