

THE OPEN UNIVERSITY OF SRI LANKA
 BACHELOR OF MANAGEMENT STUDIES PROGRAMME
 LEVEL 03- 2004/2005
 FINAL EXAMINATION 2005
 FINANCIAL AND COST ACCOUNTING -MCU 1206
 DURATION: THREE (03) HOURS



DATE: 04.03.2006

TIME: 9.30 a.m. - 12.30 p.m.

*Answer Questions 1 and 2 and 2 others.
 Non-programmable calculators may be used. Show all workings.*

- 01) Following information extracted from the accounting books of Integrity Co. Ltd., for the year ended 31.12.2004.

	Rs.	Rs.
Ordinary shares of Rs.10/= each		1,500,000
12% preference shares of Rs.10/= each		500,000
Capital Redemption Reserve Fund		100,000
Share Premium		200,000
General Reserve		150,000
Profit and Loss Balance b/f		50,000
12% Debentures		200,000
Land Buildings at cost	600,000	
Office Equipment at cost	200,000	
Motor Vehicles at cost	800,000	
Provision for depreciation		
01/01/2004		
Land and Buildings		30,000
Office Equipment		24,000
Motor Vehicles		160,000
Debenture interest	12,000	
Opening stock	600,000	
Directors Fees	300,000	
Rates	40,000	
Electricity	80,000	
Advertising	250,000	
Water	30,000	
Salaries and Wages	620,000	
Telephone	48,000	
Selling and distribution expenses	200,000	
Preliminary Expenses	100,000	

Provision for bad debts		20,000
Trade Creditors		40,000
Bank Cash	1,180,000	
Trade Debtors	80,000	
Purchases	1,800,000	
Bad Debts	34,000	
Sales		4,000,000
	<u>6,974,000</u>	<u>6,974,000</u>

The Following additional information is given;

1. Authorized share capital
 200,000 Ordinary shares of Rs.10/= each.
 100,000 12% preference shares of Rs.10/- each.
2. Closing stock valued Rs.800,000.
3. Bad-debts to be written off for the year 64,000/=
4. Provision for Bad debts 10% of balance debtors.
5. Depreciate Land and Buildings, Office equipment and Motor Vehicles at 5%, 12% and 20% on cost per annum respectively.
6. A motor vehicles costing Rs.100,000/= was sold for Rs. 50,000/= accumulated depreciation up to the date of sale was Rs. 40,000/= No. depreciation in the year of sale.
7. Advertising Materials remain unused at the end of the year cost Rs. 50,000/=
8. Accruals on 31.12.2004
 Telephone Rs.5,000/=, Electricity Rs. 8,000/= Water Rs. 2,000/=
9. Appropriations
 Transfer Rs.50,000/- to capital redemption Reserve fund,
 Rs.50,000/= to general Reserve,
- Proposed Dividends
 12% on preference shares
 18% on Ordinary shares
 Ignore income tax
 Write of 50% of preliminary expenses
10. Taxation for the year Rs. 200,000/=

Required

- (a) Prepare Integrity Ltd's trading and profit and loss statement for the year ended 31.12.2004 and a balance sheet as at that date for internal use by the management.
- (b) Prepare profit and loss statement for publication; (The statement should comply with the minimum requirements of the companies Act and relevant accounting standards)

(Marks 50)

- 02) Kaleel, Gibran and Selma were in partnership sharing profits and losses in the ratio of 3:2:2.
On 30th June 2004 Selma died suddenly and other partners decided to dissolve the partnership as per agreement. Any amount due to Selma should be paid to her son Mansoor.

Following information extracted from the books of account of the partnership on this date.

<u>Capital accounts</u>	Rs.		<u>Current accounts</u>	Rs.
Kaleel	450,000	Cr.	Kaleel	45,000 Cr.
Gibran	340,000	Cr.	Gibran	45,000 Cr.
Selma	340,000	Cr.	Selma	45,000 Cr.

Loan given by Selma to Partnership 150,000/=

Trade creditors Rs. 165,000

<u>Non Current Assets</u>	Rs.
Land and Buildings	485,000
Office Equipment	145,000
Motor Vehicles	360,000
Goodwill	110,000

<u>Current Assets</u>	Rs.
Stocks	140,000
Trade Debtors	225,000
Bank & Cash	115,000

The dissolution of partnership took place in the following manner.

- Assets released - Land & buildings 20% above cost
 - Office equipment Rs. 75,000/=

- Motor vehicles 10% above cost

- Debtors 20% less, stock 50% less, creditors were paid 5% less.

- (i) An insurance policy which was taken by the partnership released Rs. 110,000/=. Expenses of dissolution Rs. 26,250/=. Selma loan paid to her son. Dissolution concluded within one month and partnership accounts closed.

You are required to show the

- a) Partnership capital account
 b) Realization account or realization profit and loss account
 c) Cash and Bank account.

(15 marks)

- (ii) What are the reasons for which the life of an existing partnership may come to an end.

(5 marks)

(Total 20 marks)

- 03) You are required to record the following transactions in the books of Wicrams Ltd., for the year ended 31.12. 2004.

<u>Date</u>	<u>Description</u>
01.03.2004	Purchased at Rs. 94/= cum.div 600 12% preference shares of Rs. 100/= each in Wiskams Ltd., who pays dividend on 30 th June and 31 st December 2004.
01.06.2004	Sold 200 shares at Rs.90/= each ex.div.
01.08.2004	Sold 200 shares at Rs. 90/= cum div.\
15.12.2004	Purchased at Rs.92/= ex.div 600 12% preference shares of wiskams Ltd.,

Dividends received on the respective dates. Show the investment account of Wiskams Ltd., for the year ended 31.12.2004.

(15 marks)

- 04) On the 1st January 2004, Sugath Bros. consigned 200 cloth Dolls to Hussain Bros of Male requesting to sell them at Rs. 1250/= each. Profit margin 60% of the sale price.
On the arrival of dolls at MALE PORT, Hussain Bros examined the goods, found 10 dolls damaged returned them incurring a cost of Rs. 750/= Balance accepted. Hussain Bros are entitled to a sales commission of 15% on total sales bad debts were to be shared by both parties equally.
Following expenses incurred by them are given below.

<u>Sugath Bros.</u>	<u>Rs.</u>	<u>Hussain Bros.</u>	<u>Rs.</u>
Transport charges		Duty for accepted dolls	9,500
To port of Colombo	2,000	Advertising expenses	2,500
Freight charges	20,000		

On 31st March, Hussain Bros informed that they had sold 125 dolls on cash at 1250/= each while 50 dolls on credit terms at 1250/= each.

Rs. 25,000/= cannot be recovered from debtors. A sum of Rs. 100,000/= was received from Hussain Bros. on this day.

- Prepare - Consignment account with Hussain Bros.
- Hussain Bros account (Consignees A/C)
- Consignment Debtors account in the books of Sugath Bros for the 3 months ended on 31.03.2004
(All amounts in Sri Lanka Rupees)

(15 marks)

- 05) From the information given below, calculate the closing stock in units and their values under
First - in - First out (FIFO) and
Last - in - First out (LIFO) basis
And gross profits under above methods of valuing closing stock.

01.01.2004	Opening stock	2000	units at 15/- each
07.01.2004	Purchases	8000	units at 18/- each
10.01.2004	Sales	7000	units at 25/- each
12.01.2004	Purchases	10,000	units at 20/- each
20.01.2004	Sales	9,000	units at 30/- each
21.01.2004	Purchases	12,000	units at 22/- each
25.01.2004	Sales	10,000	units at 35/- each
28.01.2004	Purchases	4,000	units at 24/- each
31.01.2004	Sales	8,000	units at 40/- each

(15 marks)

06) Write short notes on

- a) Companies Act. No. 17 of 1982
- b) Process costing
- c) Batch costing
- d) Job costing
- e) Incentive schemes
- f) Overheads

(15 marks)

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