THE OPEN UNIVERSITY OF SRI LANKA
BACHELOR OF MANAGEMENT STUDIES – LEVEL 3
FINAL EXAMINATION - 2007
FINANCIAL AND COST ACCOUNTING – MCU 1206
DURATION : THREE (03) HOURS

NON PROGRAMMABLE CALCULATORS ARE ALLOWED

No. of pages 5
No. of Question 6

DATE : 18th February 2007 TIME : 9.30a.m – 12.30 p.m

Instructions
ANSWER ANY FOUR QUESTIONS INCLUDING QUESTION NUMBER ONE.
(Question No.1 is compulsory)

01. The following Trial Balance was extracted from the books of Seth Limited on 31st December 2006.

	Rs.	Rs.
Ordinary shares of Rs.10/- each		2,000,000
12% Preference shares of Rs.10/- each		750,000
Capital Redemption Reserve Fund		150,000
Share Premium		400,000
General Reserve		50,000
Profit and Loss Account b/f		130,000
Trade Creditors		130,000
Suspense account		570,000
Provision for bad debts		20,000
Sales		8,000,000
Land and building at cost	900,000	
Office equipment at cost	400,000	
Motor vehicles at cost	1,000,000	
Provisions for depreciation on 01.01.2006		
Lands and buildings		35,000
Office equipment		80,000
Motor vehicles		200,000
Opening stock	900,000	
Purchases	2,000,000	
Establishment expenses	200,000	
Administrative expenses	900,000	
Selling & Distribution Expenses	300,000	
Financial expenses	35,000	
Treasury Bills (Deposits)	3,000,000	
Taxes paid	800,000	
Trade Debtors	230,000	
Bank balance	1,000,000	
Cash in hand	850,000	
Total	12,515,000	12,515,000

You are informed that

1. Authorized share capital is as follows:
   350,000 Ordinary shares of Rs.10/= each
   100,000 12% preference shares of Rs.10/= each

2. Closing stock as at 31.12.2006 is Rs. 1,200,000/-

3. 50,000 Ordinary shares of Rs. 10/= each had been issued at Rs.12/=. Share holders of 15,000 shares failed to pay their final call Rs. 2/= a share. Cash received had been debited to bank account and credited to suspense account only.

4. Primary expenses Rs.40,000 had been included in the establishment expenses. This amount has to be written off in 2006.

5. Tax payable for the year 2006 is Rs.900,000

6. Directors fees Rs. 300,000/= included in administrative expenses.

7. Accrued Expenses
   - Establishment expenses Rs.40,000/=
   - Administrative expenses Rs. 60,000/=

8. Advertisement material worth Rs.100,000/= remain unused at the end of year.

9. Directors have decided the following.

   a. Transfer Rs. 50,000 to general reserve and Rs. 150,000 to capital redemption reserve.

   b. Proposed Dividends –
      Preference share dividends
      20% dividends for 200,000 ordinary shares.
      (Ignore tax)

10. Interest income of Rs. 24,000/- for treasury bills had received by bank but not recorded in accounts.

11. Depreciation is to be charges on straight line basis as follows,
    Motor vehicles 20%
    Office equipment 20%
    Land and building 5%

    You are required to prepare following statement to present for the Board of directors.

    i. Trading, Profit and loss account for the year ended 31.12.2006 and
    ii. the Balance Sheet as at 31st 12. 2006.

(52 marks)

02. Mel, Herman and Bindu were in partnership sharing profits and losses in a ratio of 3:2:2.

Bindu died suddenly on 30th June 2006. The position of the partnership was as follows at this date.

Capital Account Balances	Rs.		Non current assets	Rs.
Mel	400,000 Cr.		Land and Buildings	450,000
Herman	400,000 Cr.		Motor vehicles	350,000
Bindu	150,000 Cr.		Furniture	150,000
Current Account Balance			**Current Assets**	
Mel	65,000 Cr		Stocks	100,000
Herman	25,000 Cr.		Trade debtors	150,000
Bindu	(40,000) Dr.		Cash	100,000
			Current liabilities	
			Trade creditors	100,000
			Bank draft	200,000

Bindu had no assets as he stayed in a home for the Aged. Partners decided to dissolve the partnership on 31st July 2006. Business assets realized as follows,

Assets Realized	Rs.
Land and Buildings	450,000
Motor vehicles	165,000
Furniture	25,000
Stocks	25,000
Debtors	50,000
Creditors were paid	90,000
Expenses of dissolution	15,000

Liabilities settled and closed their accounts by 31st July 2006. You are required to prepare the partners capitals, Current account, Realization account and Cash account

(16 marks)

03. i. Assume you are the accountant of a newly formed printing organization. A printing order has been received to print 1000 copies of a book of standard size. Owner expects you to prepare a cost estimate for the above job. What are the factors you would consider preparing this estimate?

ii. Assume you are an accountant of an international school and its management has requested a statement showing the school fees to be charged from a student for a term. Prepare a draft statement to be presented to the management.

iii. Assume you are an accountant of a Travel Agent who provides vehicles for hire for private excursions. Owner possesses 40 seater vehicles and he expects you to prepare a statement explaining how a customer is charged for 320 km excursion in a day.

iv. A new businessman who intends to import and sell various types of goods had made his first visit to China and brought 10,000 pairs of a particular type of children's shoes. He wants you to calculate the selling price of a pair of shoes. What are the information that you need, when preparing the selling price.

(Note; You are free to make reasonable assumptions in answering this question.)

(16 marks)

04. On 1st March 2006 Durrani Brothers of Sri Lanka sent a consignment of 1000 Nos. traveling bags costing Rs.2,000/= each to Saleem Brothers of Male requesting them to sell at Rs. 3000/= each. Details of transactions upto 30th April 2006 are given below.

Durrani Brothers

Cost of 2000 Nos. Rs.	2,000,000
Insurance	50,000
Air freight	50,000
Other expenses	20,000

Saleem Brothers

Duty	300,000
Expenses	6,000
Selling Expenses	20,000
Cash Sales	1,400 Nos.
Credit Sales	400 Nos.
Free Distribution	50 Nos.

Consignee is entitled to
10% Sales commission for cash sales and 15% for credit sales.
50% of the credit sales proved bad. Consignee has to bear the loss.

Show the consignment account with Saleem Brothers accounts in the books of Durrani Brothers for the 2 months ended 30th April 2006.
(Figures are in Sri Lanka Rupees)

(16 marks)

05. Ratnasekara of Colombo and Piyasekara of Matale formed a joint venture to sell solar units. Ratnasekara imported units and bought local accessories and assembled them and sent them to Piyasekara to be sold. Joint Venture commenced on 01st January and terminated on 30th June 2006.

Following transactions had taken place during this period.
Imports
200 units each costing Rs. 20,000/=
Duty paid 20%
Local accessories Rs. 4000/= per unit
Transport charges to Matale 50,000/=

Piyasekara sold 150 sets at Rs. 40,000/= each on cash basis subjected to a trade discount of 10%. Further he sold 20 sets on credit. A sum of Rs. 120,000/= receivable from debtors proved bad. Piyasekara has to bear the loss. Piyasekara remitted a sum of Rs. 5,700,000/= to Ratnasekara. Balance sets were taken over by Ratnasekara at a price that included the cost, duty and the value of local accessories. Show the Joint Venture Memorandum Account and Joint Venture Account with Ratnasekara in Piyasekara's books for the 6 months ended 30th June 2006.

(1 6marks)

06. Write short notes on any <u>four</u> of the following
  a) Share Market
  b) Business Budget
  c) Project Investment
  d) Renting Premises instead of owing them
  e) Companies Act No. 17 of 1982

(16 marks)