



SABARAGAMUWA UNIVERSITY OF SRI LANKA
FACULTY OF MANAGEMENT STUDIES

005

BSc DEGREE PROGRAMME IN FINANCIAL MANAGEMENT
YEAR III SEMESTER I EXAMINATION – SEPTEMBER/OCTOBER 2017

ADVANCED FINANCIAL ACCOUNTING - FM 3113®

Time allowed: **THREE (03) Hours**

Answer all questions.

01. Following statement of Financial Position has been extracted from the books of Company B as at 31 December 2012.

	Rs.
Property Plant & Equipment	30,000
Investment	8,000
Current Assets	7,000
	45,000
Share Capital	35,000
Retained Earnings	7,000
Liabilities	3,000
	45,000

A limited has acquired 80% at the ordinary shares of B limited on 31.12.2012. Fair value of the Non-controlling interest at that was Rs. 10,000. Fair value of Property Plant & Equipment and Investments were amounted to Rs. 34,000 and Rs. 7,000 respectively. The value of the investment made was amounted to Rs. 45,000.

Prepare necessary Accounts separately under following circumstances.

- Non-controlling interest measured at fair value basis.
- Non-controlling interest measured at proportion of net asset basis.

(10 marks)

02. X Ltd has acquired 75% of share capital in Y Ltd at 01 04 2012. Followings are the Statements of financial positions at 31.03.2015 of those two companies.

	Rs. 000	Rs. 000
	X Ltd	Y Ltd
Non-Current Assets		
Property, Plant & Equipment	7,000	5,000
Less: Accumulated Depreciation	(2,200)	(1,500)
	4,800	3,500
Investments		
15,000 ordinary shares in Y Ltd	2,500	-
Current Assets		
Stocks	400	600

Debtors	500	600
Bills Receivable	300	-
Current Account – Y Ltd	450	-
Cash	50	300
Total Assets	9,000	5,000
Equity & Liabilities		
Ordinary Shares	4,000	2,000
Preference Shares	2,000	1,000
Reserves		
General Reserves	1,400	800
Retained Profits	800	200
Current liabilities		
Creditors	600	250
Current Account – X Ltd	-	400
Bills Payable	200	350
Total Equity & Liabilities	9,000	5,000

Additional information

- Reserves of Y Ltd at the date of acquisition is as follows.

General Reserve	Rs. 700,000
Retained Profit	(Rs. 100,000)
- X Ltd invoices goods to Y Ltd adding 25% to the cost. The closing stock of Y Ltd contains Rs. 200,000 (invoiced price) goods purchased from X Ltd within the year.
- Reasons for mismatches of current accounts are as follows.

Money in transit	Rs. 10,000
Stock in transit	Rs. 40,000
- Debtors of X Ltd contains Rs. 200,000 receivable from Y Ltd.
- Rs. 250,000 bills from total bills receivable of X Ltd has been endorsed by Y Ltd. X Ltd has discounted Rs. 50,000 bills from those.
- Property, plant and equipment which have been purchased at 01.04.2014 for Rs. 1,300,000 by X Ltd, sold to Y Ltd for Rs. 1,400,000 at same date. Both companies depreciate their property, Plant & Equipment under straight line basis at 20% per annum.
- Goodwill impairment at 31.03.2015 has been estimated to Rs. 150,000.

Prepare consolidated Statement of Financial Position as at 31.03.2015.

(15 marks)

03. The following trail balance was extracted from the books of HHCD Bank Ltd on 31st March 2015.

	Debit (Rs.)	Credit (Rs.)
Land & Building	200,000	
Leasehold Properties	50,000	
Computer Equipment	180,000	
Motor Vehicles	50,000	
Office Equipment	90,000	
Stated Capital - Ordinary Shares		200,000
Statutory Reserve Fund		65,000
Revaluation Reserve		150,000
General Reserve		800,000
Retained Profits		50,000
Interest Income		
Customer Advances		1,500,000
Treasury Bills, Treasury Bonds		300,000
Placements with Other Banks		4,000
Other Interest Income		6,000
Fees & Commission Income		140,000
Interest Expenses		
Customer Deposits	890,000	
Short Term Borrowings	4,600	
Refinance Borrowings	30,000	
Debentures	30,000	
Income from Investment Securities		4,000
Income from Dealing Securities		4,500
Rental and Other Income		4,000
Advertising	58,000	
Auditors' Remuneration	700	
Bad Debt Recoveries		123,000
Certificates of Deposits		530,000
Borrowings		545,000
Accumulated Depreciation		
Leasehold Properties		20,000
Computer Equipment		120,000
Motor Vehicles		8,000
Office Equipment		45,000
Balance with Central Bank of Sri Lanka	900,000	
Balances with local banks	7,000	
Directors' Emoluments	1,700	
Donations	1,000	
Foreign currency in hand	55,000	

Local currency in hand	300,000	
Money at call	5,000	
Other Overhead Expenses	300,000	
Personnel Costs	250,000	
Placements with banks	170,000	
Professional & Legal Expenses	4,500	
Securities Held for Dealing Purposes	90,000	
Investment Securities	750,000	
Overdraft	2,150,000	
Term Loans	5,200,000	
Staff Loans	270,000	
Pawning Advances	2,580,000	
Other Advances	4,500	
Treasury Bills - Trading	3,000,000	
Treasury Bonds - Investments	55,000	
Demand Deposits		1,100,000
Savings Deposits		5,450,000
Call Deposits		100,000
Fixed Deposits		6,120,000
Receivable on Leases	300,000	
Deposits and Pre-payments	60,000	
Debtors	63,000	
Interest and Fees Receivable	200,000	
Interest Payable		300,000
Other Payable		216,000
Tax Payable 01.04.2014		50,000
Deferred Taxation 01.04.2014		45,500
Redeemable Debentures		200,000
Long Term Bond		100,000
	18,300,000	18,300,000

Additional Information

- The directors have decided to transfer Rs. 15,000 to Statutory Reserve Fund and Rs. 100,000 to General Reserve.
- Current year estimated tax was Rs. 150,000 and increase in provision on differed tax was Rs. 35,000. Tax payment during the year was Rs. 100,000.
- Assets should be depreciated as follows;

Freehold Buildings	5% per annum
Motor Vehicles	20% per annum
Computer Equipment	10% per annum
Furniture, Office & Household Equipment	10% per annum

You are required to prepare the income statement for the year ended 31st March 2015 and the statement of financial position as at that date.

(15 marks)

04. Following trial balance has been extracted from Nanperial Plantation Ltd for the year ended 31.03.2015.

	Debit (Rs.)	Credit (Rs.)
Land & Buildings	150,400	
Plant & Machinery	86,500	
Motor Vehicles	76,200	
Equipment	30,800	
Sanitation Water & Electricity	28,800	
Turnover		
Rubber		1,214,250
Tea		791,500
Oil palm		152,500
Cost of Sales		
Rubber	664,000	
Tea	836,000	
Oil palm	96,100	
Ordinary shares		250,000
General Reserves		345,000
Profit & Loss Account		174,700
Dividend Received		15,000
Sale of Rubber Trees and Others		20,200
Administration expenses	123,000	
Managing Agent's fee	133,200	
Short term Loans and Overdraft interest	174,200	
Interest Income		23,800
Auditor's Remuneration	1,500	
Directors' Remuneration	4,300	
Exchange Gain		5,800
Salaries, Wages and Other Related Expenses	808,000	
Mature Plantations	1,054,000	
Immature Plantations	618,000	
Depreciation		
Land & Buildings		15,200
Plant & Machinery		64,400
Motor Vehicles		67,100
Equipment		23,500
Sanitation Water & Electricity		13,300
Cost on immature plantation	151,400	
Amortization of mature plantation as on 01.04.2014		253,400
Inventories		
Harvested crop	203,100	
Input materials	26,000	
Growing crop nurseries	10,700	

Others	6,800	
Investments	119,000	
Cash and cash equivalents	1,000	
Trade & other receivables	338,500	
Trade & other dues		492,400
Long Term Borrowings		
Plantations Reform Projects Loans (secured)		80,250
Other Term Loan		505,200
Short term borrowings		250,400
Employee related payables		122,200
Managing Agent's fee payable		59,400
Retirement benefit obligations		344,500
Obligations under leases		242,000
Deferred income (Capital Grants)		73,300
Bank overdrafts		142,200
	5,741,500	5,741,500

Additional Information

01. Depreciation should be calculated on straight line basis as follows;

Land & Buildings	2.5%
Plant and Machinery	10.0%
Equipment	12.5%
Motor Vehicles	15.0%
Sanitation, Water and Electricity Schemes	5.0%

Note: No any additions to or disposal of from the above assets during the year

02. Transfer Rs. 64,000 to the mature plantation from immature plantation at the end of the year
03. Charge 5% depreciation on straight line basis for mature plantation
04. Transfer Rs. 60,000 to General Reserve
05. Transfer Rs 34,500 from plantation reform project loans to current liabilities as their matured life is less than one year
06. Interest should be charged on long term borrowings at 8% per annum
07. Amortization of Capital Grants should be Rs. 3,300

You are required to prepare Income Statement for the year ended 31st March 2015 and the Statement of Financial Position as at that date.

(15 marks)

05. i. Distinguish Consolidated Financial Statement with Separate Financial Statement.

(05 marks)

ii. Discuss the identification of an asset for impairment and recognition and measurement an impairment loss by taking into account LKAS 36 – Impairment of Assets

(05 marks)

iii. Write short notes on selected five (05) from the followings.

- i. Bargain Purchase
- ii. Separate Financial Statements
- iii. Joint Control
- iv. Equity Method
- v. Impairment Loss
- vi. Recoverable amount
- vii. Biological Transformation

(2x5 = 10 marks)