

UNIVERSITY OF COLOMBO – SRILANKA

FACULTY OF ARTS

SECOND YEAR EXAMINATION

FIRST SEMESTER -2017

ECN-2112 : INTRODUCTORY FINANCIAL ACCOUNTING

TIME : Two hours(02)

Use of Calculators Allowed. Answer any Four (04) questions only.

All question carry on Equal Marks

01).

- i. Name 05 types of stakeholders of a company and describe their information requirements.
- ii. Name 05 types of assumptions made in preparing financial statements and describe them.

02). Given below is the Trial balance as at 31.03.2016 of Nadeeka (Pvt) Ltd

	Rs	Rs
Capital		250,000
Turnover		725,000
Trade Creditors		52,000
Loan from BOC		80,000
Revenue reserves (01.04.2015)		44,000
Purchases	350,000	
Land and building	300,000	
Office Equipment	40,000	
Loading expenses	13,000	
Stocks (01.04.2015)	30,000	
Insurance expenses	6,000	
Advertisement expenses	42,000	
Loan interest	8,000	
Trade Debtors	70,000	
Cash	292,000	
	1,151,000	1,151,000

Following additional information is given,

- a. Value of stocks as at 31.03.2016 is Rs40,000
- b. Accrued expenses of Electricity Rs 2,000 and water Rs 3,000 remains to be paid

Based on the above information prepare the following statements.

- i. Profit and loss statement (Income statement) for the period ended 31.03.2016
- ii. Balance sheet (Statement of financial position) as at 31.03.2016

03). Given below are the costs relating to the month of November 2016 of Nawaliya (Pvt) Ltd which is a garment manufacturer.

	Rs
Material	64,000
Wages	20,000
Supervisors salary	23,000
Security guards salary	12,000
Cost of machine repairs	8,500
Fuel cost	1,500
Rent	7,500
Electricity cost	25,000

During the period of November, 100 units were produced.

Prepare a cost sheet containing the Prime cost, production overheads, and total cost for the month of November 2016.

Calculate the Price of a garment, if 15% profit is kept on each unit produced.

04).

	Rs
Turnover(per Unit 50,000)	200,000
Variable cost	(120,000)
Contribution	80,000
Fixed cost	(50,000)
Profit	30,000

Calculate the following based on the above information

- i. Contribution per unit
- ii. Variable cost per unit
- iii. Production at the breakeven point
- iv. The production that needs to be done to achieve a profit of Rs 60,000

05). Calculate the payback periods of the following three projects with an initial investment of Rs 100,000 each

	Project A	Project B	Project C
Year 1	20,000	20,000	20,000
Year 2	40,000	20,000	40,000
Year 3	40,000	20,000	50,000
Year 4	40,000	40,000	60,000
Year 5		60,000	10,000
Year 6		60,000	

06). Calculate the Net Present Value of the following cash flows with a capital investment of Rs 100,000. Consider the cost of capital to be 10%

	Rs
Year 1	50,000
Year 2	40,000
Year 3	30,000
Year 4	20,000

07). Given below are the cost information to manufacture a unit of P1 product

	Rs
Material cost	3.75
Labour cost	2.50
Variable overheads	4.25
Fixed overheads	6.50
	17.00

The factory has the capacity to manufacture 1,000 units and currently only 75% of the capacity is utilized.

The company can purchase the item at a price of Rs 14.00 per unit.

Advice the management whether to purchase the P1 product or manufacture it

08).

- i. In Marginal costing method, costs can be divided into two main components. Describe these components
- ii. In capital investment decisions we use the "payback period" method to take decisions. Describe the payback period method
- iii. In making a decision under the payback period method what is the rule that we follow in accepting a project?
- iv. In making a decision under the Net Present Value method, what is the rule we follow in accepting a project.

Appendix - Present value factors

Table A
Present value of Rs $(1 + r)^{-n}$

Periods (n)	Discount rates (r) %								
	1%	2%	4%	6%	8%	10%	12%	14%	15%
1	0.990	0.980	0.962	0.943	0.926	0.909	0.893	0.877	0.870
2	0.980	0.961	0.925	0.890	0.857	0.826	0.797	0.769	0.756
3	0.971	0.942	0.889	0.840	0.794	0.751	0.712	0.675	0.658
4	0.961	0.924	0.855	0.792	0.735	0.683	0.636	0.592	0.572
5	0.951	0.906	0.822	0.747	0.681	0.621	0.567	0.519	0.497
6	0.942	0.888	0.790	0.705	0.630	0.564	0.507	0.456	0.432
7	0.933	0.871	0.760	0.665	0.583	0.513	0.452	0.400	0.376
8	0.923	0.853	0.731	0.627	0.540	0.467	0.404	0.351	0.327
9	0.914	0.837	0.703	0.592	0.500	0.424	0.361	0.308	0.284
10	0.905	0.820	0.676	0.558	0.463	0.386	0.322	0.270	0.247
11	0.896	0.804	0.650	0.527	0.429	0.350	0.287	0.237	0.215
12	0.887	0.788	0.625	0.497	0.397	0.319	0.257	0.208	0.187
13	0.879	0.773	0.601	0.469	0.368	0.290	0.229	0.182	0.163
14	0.870	0.758	0.577	0.442	0.340	0.263	0.205	0.160	0.141
15	0.861	0.743	0.555	0.417	0.315	0.239	0.183	0.140	0.123
16	0.853	0.728	0.534	0.394	0.292	0.218	0.163	0.123	0.107
17	0.855	0.714	0.513	0.371	0.270	0.198	0.146	0.108	0.093
18	0.836	0.700	0.494	0.350	0.250	0.180	0.130	0.095	0.081
19	0.828	0.686	0.475	0.331	0.232	0.164	0.116	0.083	0.070
20	0.820	0.675	0.456	0.312	0.215	0.149	0.104	0.073	0.061
21	0.811	0.660	0.439	0.294	0.199	0.135	0.093	0.064	0.053
22	0.803	0.647	0.422	0.278	0.184	0.123	0.083	0.056	0.046
23	0.795	0.634	0.406	0.262	0.170	0.112	0.074	0.049	0.040
24	0.788	0.622	0.390	0.247	0.158	0.102	0.066	0.043	0.035
25	0.780	0.610	0.375	0.233	0.146	0.092	0.059	0.038	0.030