



UNIVERSITY OF COLOMBO, SRI LANKA
FACULTY OF MANAGEMENT AND FINANCE

Bachelor of Business Administration (Level I - Semester I) (Old Curriculum)

Examination –June, 2019

ACT 1300 - Intermediate Accounting

Three (03) Hours

Instructions to Candidates:

- Answer any **Five (05)** questions
 - Use of Calculators is permitted
 - Show the question numbers and workings clearly
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1. i. Identify users of accounting information and describe the information that will be of interest to them.

(08 Marks)

ii. Differentiate between financial accounting and management accounting.

(04 Marks)

iii. ‘Accounting standards supersede the Conceptual framework.’ Briefly explain on this statement.

(04 Marks)

iv. State four (04) objectives of financial reporting.

(04 Marks)

(Total 20 marks)

2. i. Briefly explain the qualitative characteristics of accounting information.

(05 Marks)

ii. Briefly describe following concepts.

a. Entity concept

b. Accrual concept

c. Accounting period concept

(06 Marks)

iii. Explain the need of conceptual framework in financial reporting.

(09 Marks)

(Total 20 marks)

3. i. What are the three main features of Property, Plant & Equipment (PPE) as per LKAS 16?

(06 Marks)

ii. State four (04) items that exclude from the cost of inventories according to LKAS 02.

(04 Marks)

iii. Niro Limited is formed on 1st of January 2018. At the end of its first half-year of trading they are going to assess the profitability. Stores ledger record for the relevant period is as follows:

2018	Raw Material	
	Receipt (units)	Issue/ Consumption (Units)
January	100 @ 50/-	-
February	-	90
March	120 @ 55/-	30
April	-	-
May	70 @ 52/-	120
June	110 @ 56/-	60

Sales value for the first-six months is given as Rs. 30,000 and the Net realizable value of the closing inventory is estimated as Rs. 8,300.

You are required to calculate followings for the above six-month period using FIFO (First-In-First-Out) method:

a. The total cost of sales

b. The total value of the closing inventory for the period

c. The gross profit

(10 Marks)

(Total 20 marks)

4. i. State Two (02) purposes of financial statement analysis.

(02 Marks)

ii. Following are the financial statements of Taiko (Pvt) Ltd prepared for the year ended on 31st December 2018.

Statement of Financial performance for the year ended on 31/12/2018		
Sales		1,800,000
Sales returns		(150,000)
		1,650,000
Cost of sales		
Opening inventory	260,000	
Purchases	900,000	
	1,160,000	
Purchase returns	(160,000)	
Closing inventory	(378,000)	(622,000)
Gross profit		1,028,000
Other income		220,000
Other expenses		(345,000)
Net profit before interest and tax		903,000
Interest expense		(90,000)
Net profit before tax		813,000
Income tax		(56,000)
Net profit after tax		757,000

Statements of financial position		
	31/12/2018	31/12/2017
Assets	Net value (Rs.)	Net value (Rs.)
Property, Plant and Equipment	2,994,000	2,000,000
Current assets		
Closing inventory	378,000	250,000
A/C Receivables	1,128,000	985,000
Cash	167,000	70,000
Prepayments	12,000	
Total Assets	4,679,000	3,305,000
Equity		
Share capital (Rs.10 per share)	2,659,000	2,659,000

Profit for the year	757,000	518,000
Drawings	(12,000)	(25,000)
	3,404,000	3,152,000
Long term liabilities		
Bank loan	1,000,000	
Current liabilities	275,000	153,000
Total Equity and Liabilities	4,679,000	3,305,000

Additional information:

- Assume all sales have been done on credit basis.
- Dividend paid for the year 2018 Rs. 300,000
- Market value per share for the year 2018 is Rs. 12.00

Using above information, calculate and interpret following ratios for the year 2018.

- Current ratio
- Interest coverage ratio
- Debt to equity ratio
- Gross margin ratio
- Price earnings ratio
- Stock residency period

(03*06 = 18 Marks)

(Total 20 marks)

- List four (04) main authoritative bodies for accounting regulations in Sri Lanka.
(04 Marks)
 - Explain the need of Accounting Harmonization.
(05 Marks)
 - Briefly explain the benefits of conceptual framework in organization point of view.
(06 Marks)
 - “Over-regulations are not good for corporate sustainability” Do you agree with this statement? Justify.
(05 Marks)
- (Total 20 marks)**

6. i. Techno PLC (a VAT registered Company) has purchased a machine on 01st of April 2018 incurring following expenses.

Element of Cost	Cost (Rs '000)
Purchase price	1,500
Import taxes	40
Value Added Taxes	20
Site preparation	150
General overhead costs	50
Initial delivery and handling	10
Professional fees	200
Installation charges	100

Additional information:

The management estimated the useful life of the above machine to be 5 years and the scrap value will be Rs. 500,000 at the end of the useful life time.

You are required to compute the;

- a. Cost of the machine as at 01st of April 2018.

(07 Marks)

- b. Depreciation for the year ended 31st of March 2019.

(05 Marks)

- ii. One of the ABC Company's Factory buildings had a carrying value of Rs. 30 Mn by January 2017. It has been revalued at Rs. 28 Mn at the end of 2017. At the end of 2018 the same building has been revalued at Rs. 31 Mn. Assume that the depreciation is Rs. 0.5 Mn per each year.

You are required to show the relevant accounting treatment for above scenario for both 2017 and 2018.

(08 Marks)

(Total 20 marks)