

University of Ruhuna- Faculty of Technology
Bachelor of Engineering Technology/ Bachelor of Information and Communication
Technology/ Bachelor of BioSystems Technology Honours Degree
Level 2 (Semester II) Examination, November/December 2022
Academic year 2020/21

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Course Unit: TCS 2212 Accounting for Technologists

Duration: 2 hours

Instructions to candidates (Please Read Carefully):

- Answer **all questions** in Part A and select **any three (03)** questions from Part B.
- Answers should be in English, in the booklets provided.
- Submit all workings and calculations. State clearly assumptions made by you, if any
- The use of calculators is **permitted**.

Part A

Answer all questions in Part A.

1. List any **three (03)** components of the financial statements. (3 marks)
2. Mention the main objective of preparing financial statements by an organization. (2 marks)
3. Arun runs his grocery store in Matara town. The following Trial Balance has been extracted from Arun's ledger accounts for the year ending 31st December 2021.

Description	Debit (Rs 000')	Credit (Rs 000')
Inventory as at 01/01/2021	200	
Debtors	2,300	
Creditors		1,850
Bank loan at 8% interest rate		12,000
Cash balance	2,150	
Bank balance	30	
Capital		7,050
Purchases	5,500	
Sales		10,200
Sales Return	10	
Purchase Return		18
Bad debts	25	
Stationary expenses	15	
Telephone bill	5	
Electricity expenses	35	
Advertising expenses	25	
Rent income		380
Discounts received		15

Discounts allowed	20	
Fixed Assets/Non-Current Assets at cost		
Land and Building	16,300	
Machinery	5,800	
Long term investments	100	
Accumulated Depreciation as at 01/01/2021		
Building		330
Machinery		672
	32,515	32,515

The following adjustments are to be made in preparing the financial statements for the year ending 31st December 2021;

- i. Stock as at 31st December 2021 is amounted to Rs. 255,000.
- ii. The company decided to make a provision of 2% from Debtors as doubtful debts at the end of the year 2021.
- iii. Land was purchased in 2019 for Rs. 10,000,000.
- iv. Fixed assets/Non-Current Assets need to be depreciated on the **straight-line method** at the following rates.
 - a. Building 5%
 - b. Machinery 12%
- v. Rs 5,000 paid as electricity bill during the year 2021 is relevant to the next year.
- vi. A commission income of Rs. 45,000 that was supposed to be received for 2021 was unable to be collected.
- vii. The bank loan was obtained on 31st March 2021.

Required;

- a) Prepare Arun's Profit or Loss Statement for the year ending 31st December 2021.
- b) Prepare the Statement of Financial Position (Balance Sheet) as at 31st December 2021.

(35 marks)

(40 marks)

Part B

Select any **three (03)** questions from Part B and answer

Question 1

The details of credit purchases of Danith's business for the month of January 2022 are shown in the following table.

Date	Supplier	Invoice No.	Amount (Rs)	Other information
02/01/2022	Sugath Company	1001	12,500	Paid in cash Rs. 10,000 on 05/01/2022
10/01/2022	Kamal and Sons	1012	15,200	Not paid yet
15/01/2022	Sunanda Ltd	1015	16,500	All goods returned on 16/01/2022
20/01/2022	Srikantha	1020	13,200	Paid by cheque Rs. 5,000 on 21/01/2022
22/01/2022	Chathura Ltd	3115	10,100	Paid in cash Rs. 10,000 for the full settlement of the balance.

Required:

- a) Purchase journal for the month of January 2022. (5 marks)
 - b) Creditors' control account in the general ledger. (5 marks)
 - c) Relevant personal accounts in the creditors' ledger. (10 marks)
- (20 marks)**

Question 2

Maleesha started his smartphone trading business on 1st of March, 2022, and the following transactions are relevant for the first three months.

- i Started the business by investing following to the business.
 - i. Cash- Rs. 500,000
 - ii. Land- Rs. 550,000
 - iii. Building- Rs. 400,000
- ii Purchased smartphones for Rs. 100,000 on cash
- iii Sold a mobile phone costing Rs. 35,000 to Kamal for Rs. 50,000 on credit basis.
- iv Purchased Rs. 150,000 worth of mobile phones on a credit basis.
- v Paid electricity bills of Rs. 5,000
- vi Opened a bank account depositing Rs. 10,000 from cash
- vii Withdrew Rs. 6,000 for personal use.
- viii Received Rs. 30,000 from Kamal
- ix Maleesha discovered that a smartphone worth Rs. 25,000 had been stolen from the stock.
- x Purchased Rs. 50,000 worth of furniture for office use from Dhananjaya on credit basis.

Required:

- a) Illustrate how the above transactions affect the Accounting Equation. (Assets= Equity + Liabilities). (15 marks)
 - b) Record the last transaction (x) in the relevant primary book. (5 marks)
- (20 marks)**

Question 3

- a) Describe the importance of Generally Accepted Accounting Principles (GAAP). (4 marks)
 - b) Mention **four (04)** differences between Financial Accounting and Management Accounting. (4 marks)
 - c) Explain the following accounting concepts with examples.
 - i. Accrual concept
 - ii. Going concern concept
 - iii. Monetary measurement concept (6 marks)
 - d) Elaborate on the importance of learning Accounting as a technology graduate. (6 marks)
- (20 marks)**

Question 4

Sunil has been in the mobile phone trading business since 2020. The selling price per mobile phone is Rs. 100,000. The variable cost of a phone is estimated to be Rs. 50,000, plus a 10% selling commission from the sales price. The fixed manufacturing costs amounted to Rs. 1,250,000, while the fixed selling and administrative costs were Rs. 2,500,000.

Required;

- a) Calculate the contribution margin per unit. (2 marks)
- b) Calculate the contribution margin ratio. (2 marks)
- c) Calculate the breakeven point in phones/units and rupees. (4 marks)
- d) Calculate the number of phones that must be sold to earn a targeted profit of Rs. 7,500,000. (4 marks)
- e) Calculate the margin of safety in phones/units when target profit is achieved. (3 marks)
- f) If the selling price is increased by 10% and the fixed manufacturing costs have gone up from 5%, calculate how many phones/units should be sold to earn a profit of Rs. 10,000,000. (5 marks)

(20 marks)

(Total Marks – 100)