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UNIVERSITY OF RUHUNA

FACULTY OF MANAGEMENT AND FINANCE

Bachelor of Business Administration Degree Programme 2000 Level

Second Semester End Examination (March 2022)

Academic Year 2020/2021

ACC 22103 Computer Applications in Accounting

Duration: Three hours

Answer All Questions.

Total Marks: 70

**Instructions:**

- Answer the question number 01 and upload your answers into the LMS. Your Index number should be used as the file name.
- Make logical assumptions where necessary.

1. OPEL ARTS (Pvt.) Ltd is a stationary items selling organization and with the aim of proper management, they decided to introduce "Sage Line 50" accounting software for its accounting functions starting from 1<sup>st</sup> January 2022.

**General Information**

- The Financial Year starts from 1<sup>st</sup> January 2022.
- VAT Details: The applicable VAT rate is 12.5% for both purchases and sales.  
VAT registration No: 4525698522-001
- The selling price is determined with a 20% margin on cost.
- The company categorizes its expenses as Administrative, Distribution, Finance and Other Expenses.
- Company Details : No 85, Galle Road, Colombo 03, Tel: 0112 457 458';  
Fax: 0112 489 569; Email: [opelart@ymail.com](mailto:opelart@ymail.com)

The Trail Balance as at 31<sup>st</sup> December 2021 and the transactions made during the month of January 2022 are presented below.

Description	Dr (Rs.)	Cr (Rs.)
<b>Fixed Assets</b>		
Land and Building	1,585,000	
Plant and Machinery	36,900	
Furniture and Fittings	25,600	
Motor Vehicles	19,000	
Goodwill	8,563	
Investment in Treasury Bond	56,987	
Investment in Subsidiary	45,960	
Inventories	780,500	
Trade Debtors	890,560	
Other Receivable	64,020	
<b>Cash and Cash Equivalents</b>		
Bank - Commercial	56,000	
Bank- Sampath	38,000	
Cash in Hand	45,000	
Fixed Deposit	200,000	
Loans given to related Parties	15,000	
VAT		9,050
Trade Creditors		36,900
Other Payable		85,000
Pension Liability		89,699
Amounts due to related parties		78,000
People's Bank		100,000
Loan - BOC		1,000,000
Preference Shares		550,000
Ordinary Shares		1,400,000
Retained Earnings		517,441
	<u>3,866,090</u>	<u>3,866,090</u>

- I. To facilitate businesses, the Company maintains three current accounts at Sampath bank, Commercial bank and People's bank with the account numbers: 132-343811622, 032-355455966 and 122-384426888 respectively.
- II. The composition of the fixed assets as at 01<sup>st</sup> January 2022 is given below.
- Land and Building includes the land value of Rs. 1,000,000. Remaining Rs. 585,000 indicates the value of the building after one year of depreciation. Buildings are depreciated at a rate of 10%.
  - Plant and Machinery initial cost is Rs. 45,000 and its net value as at 31<sup>st</sup> December 2021 is Rs. 36,900. Plant and Machinery are depreciated at a rate of 9%.
  - Furniture and Fittings value shown in the trial balance is after two years of depreciation. Furniture and Fittings are depreciated at a rate of 10%.
  - The cost of the existing motor vehicle is Rs. 20,000. OPEL ARTS (Pvt.) Ltd bought another vehicle on 1<sup>st</sup> of January 2022 for office work. The cost of the new vehicle is Rs. 240,000. The payment was made by commercial bank overdraft. Motor Vehicles are depreciated at a rate of 5%.

**Notes:** Depreciations are to be provided based on straight line method.

- III. The opening balances and other details of the creditors as at 01<sup>st</sup> of January 2022.

Supplier Code	Supplier	Outstanding Balance (Rs.)	Credit Limit (Rs.)	Credit Period (Days)
CR 201	Encator (Pvt) Ltd	25,000	100,000	10
CR 202	Chthura (Pvt) Ltd	11,900	100,000	15

\* The company is eligible for Rs. 200,000 credit limit and a 20-day credit period from new suppliers.

- IV. The opening balances and other details of the debtors as at 01<sup>st</sup> of January 2022

Customer Code	Customer	Outstanding Balance (Rs.)	Credit Limit (Rs.)	Credit Period (Days)
DT 201	Sakya Education Center	450,000	500,000	35
DT 202	Asalanka (Pvt) Ltd	90,560	400,000	35
DT 203	Municipal Council of Matara	350,000	400,000	35

\* The new customers are eligible for Rs. 550,000 credit limit and a 45-day credit period.

V. Inventory details as at 01<sup>st</sup> of January 2022.

Category	Code	Description	Quantity in hand	Unit Price (Rs.)	Total (Rs.)
Ink –Type A	ITP	1L can	38	6,000	228,000
A4 Paper	APP	Bundle	86	830	71,380
Sticker	STK	100 Pack	108	890	96,120
Tappet Carpet	TCP	10 Maters Block	100	3,850	385,000

VI. OPEL ARTS (Pvt) received an order from Sangakkara (Pvt) Ltd for 50 A4 paper bundles and 20 Ink – Type B cans on 4<sup>th</sup> January 2022. To fulfill this order, OPEL ARTS (Pvt) placed an order for 30 Ink – Type B cans on 5<sup>th</sup> January 2022 from Chthura (Pvt) and the order was received on 27<sup>th</sup> January 2022. Chthura (Pvt) Ltd priced a can at Rs. 5,000 and the total bill was settled in cash. OPEL ARTS (Pvt) Ltd dispatched the entire stocks received from Chthura (Pvt) Ltd to Sangakkara (Pvt) Ltd on 28<sup>th</sup> January 2022.

VII. Next month onwards OPEL ARTS (Pvt) Ltd is planning to expand its business and thus, the company paid Rs.55, 000 for Mahela (Pvt) Ltd on 14<sup>th</sup> January 2022 as an advance to buy a new printing machine.

VIII. OPEL ARTS (Pvt) Ltd. required 150 stickers to be sent to Jayawardena (Pvt) Ltd by 3<sup>rd</sup> February 2022 for an order placed on 12<sup>th</sup> January 2022. To fulfill this requirement 50 sticker packs were ordered from Encator (Pvt) Ltd on 16<sup>th</sup> January and 20 packs were received on 27<sup>th</sup> January 2022. Remaining packs are to be received on 1<sup>st</sup> of February. Price of one pack amounts to Rs. 950 and this is to be paid at the completion of the order.

- Use appropriate code numbers for new suppliers and new debtors.

IX. Amounts due from Sakya Education Center and Municipal Council of Matara were paid in full to commercial bank on 20<sup>th</sup> January 2022.

Asalanka (Pvt) Ltd. informed that they are unable to pay their debt and OPEL ARTS (Pvt) decided to write off the amount.

Opening balances of creditors at the beginning of the month were paid in full by commercial bank cheques on 27<sup>th</sup> January 2022.

- X. The company has made following expenses during January 2022 by sampath bank cheques. The prevailing VAT is included in all expenses except for salary.

Description	Rs.	Description	Rs.
Salary	10,000	Water Bill	14,000
Travelling	1,500	Stationary	3,000

\* Water bills paid include an amount of Rs. 1,000 applicable for the month of February.

- XI. The company decided to maintain a Rs. 4,000 petty cash imprest since 1<sup>st</sup> of January 2022 considering the complexity of the expenses pattern of the company. The following expenses have been made by the petty cash during the month.

Description	Rs.
Refreshments	800
Miscellaneous	1,200

- XII. With the aim of expansion of the business the company obtained a loan amounting to Rs. 600,000 subject to a 12% interest rate from the commercial bank on 12<sup>th</sup> January 2022. The company paid Rs.26, 000 to People's bank on 20th January 2022 as the first installment including interest.

**Notes:** Default Account Ranges are as follows

Group	From	To
Fixed Assets	0001	0999
Current Assets	1000	1999
Current Liabilities	2000	2299
Long Term Liabilities	2300	2999
Capital and Reserves	3000	3999
Sales	4000	4999
Purchases	5000	5999
Direct Expenses	6000	6999
Overhead	7000	9999

You are required to,

- a) Create a company, and prepare a Chart of Accounts using Sage Line 50 Accounting package.
  - b) Record the opening balances and other transactions
  - c) Post month end adjustments for January 2022.
  - d) Save the Profit and Loss Account for the month ending 31<sup>st</sup> January and the Balance Sheet as at 31<sup>st</sup> January 2022 as text files (txt)
  - e) Create a backup of the company accounts after recording all above transactions and events.
- You will be instructed to upload the answer files in to the LMS at the end of the examination.