

University of Ruhuna – Faculty of Technology
Bachelor of Engineering Technology/ Bio System Technology/ Information and
Communication Technology Honors

Level 2 (Semester II) End Examination November/December 2023

Academic Year 2021/2022

Course Unit: TCS 2212 Accounting for Technologists

Duration: 02 Hours

(Total Marks 100)

Instructions to candidates (Please read carefully)

- Answer all questions in Part A and select any three (03) questions from Part B.
- Answer should be in English, in the booklet provided.
- Attach all working and related calculations to the answer booklet.
- Clearly mention assumption made by candidate.
- Calculators are permitted.

Part A

Answer all questions in part A

Question No. 01

A. Briefly explain the meaning of Accounting Information System.

(05 Marks)

B. The following trial balance has been extracted from the books of Steven, a sole proprietorship as at 31st March 2022.

Steven Business
Trial Balance as at 31st March 2022

	Dr. (Rs.)	Cr. (Rs.)
Buildings at cost	120,000	
Equipment at cost	80,000	
Provision for depreciation as at 01 st April 2021: Buildings		20,000
Provision for depreciation as at 01 st April 2021: Equipment		38,000
Purchases	250,000	
Sales		402,200
Inventory as at 01 st April 2021	50,000	
Allowed discount	18,000	
Received discount		4,800
Return outwards		15,000
Wages and salaries	61,800	
Bad debts	4,600	
Other operating expenses	17,700	
Trade payables		36,000

Trade receivables	38,000	
Cash in hand	2,400	
Cash at bank	1,300	
Drawings	24,000	
Provision for doubtful debts as at 01 st April 2021		500
7%, Long term loan		30,000
Capital as at 01 st April 2021		121,300
	667,800	667,800

The following additional information is relevant for the preparation of the financial statements.

- Inventory as at 31st March 2022 has been valued at cost of Rs. 42,000.
- The interest for the year on the long term loan has not yet been accrued and the business has estimated payable wages and salaries of Rs. 8,000 and pre-paid other operating expenses of Rs. 3,000.
- The provision for doubtful debts on outstanding trade receivables is to be made 02%.
- Property, plant and equipment are to be depreciated for the year ended 31st March 2022 using straight line basis as follows.

Assets	Annual depreciation rate
Buildings	01.5%
Equipment	25.0%

Required:

Prepare the statement of profit or loss (Income Statement) for the year ended 31st March 2022 and the statement of financial position as at 31st March 2022 for Steven's Business.

(35 Marks)

(Total 40 Marks)

Part B

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

Question No. 02

A. State the source documents that can be used for the following prime entry books.

	Prime Entry Book	Source Document
1.	Cash Receipts Journal	
2.	Cash Payments Journal	
3.	Purchase Journal	
4.	Purchase Return Journal	
5.	Sales Journal	
6.	General Journal	

(05 Marks)

B. The cash receipts and related transactions of Anupa's Business during the month of April 2023 are given below.

Date	Description	Cash Receipt Number	Value (Rs.)
05.04.2023	Cash sales	R.N. 01	50,000
10.04.2023	Building rent	R.N. 02	10,000
15.04.2023	Bank loan	R.N. 03	100,000
18.04.2023	From Amal (Debtor)	R.N. 04	8,000
	Allowed discount to Amal		500
20.04.2023	Cash sales	R.N. 05	60,000
22.04.2023	From Ruwan (Debtor)	R.N. 06	47,500
	Allowed discount to Ruwan		2,500
25.04.2023	Commission	R.N. 07	2,000
28.04.2023	Additional capital	R.N. 08	50,000

Required:

Prepare the cash receipts journal of Anupa's Business using the analysis columns.

(15 Marks)

(Total 20 Marks)

Question No. 03

A. Mention four (04) differences between Financial Accounting and Management Accounting.

(04 Marks)

B. Explain the significance of studying Accounting as a part of the Technology Undergraduate Program.

(06 Marks)

C. Briefly explain the following accounting concepts with examples.

- i. Going Concern Concept.
- ii. Accrual Concept.

(04 Marks)

D. Elaborate six (06) main components of Accounting Information System.

(06 Marks)

(Total 20 Marks)

Question No. 04

Binky and Smokey are two companies selling the same type of products to the local market. Their summarized financial statements for the year ended 31st October 2022 are given below.

Statements of profit or loss for the year ended 31st October 2022

	Binky Company (Rs. '000)		Smokey Company (Rs. '000)	
Sales Revenue	284		305	
Cost of Sales	(155)		(151)	
Gross profit		129		154
Administration Expenses	24		37	
Distribution Expenses	35		53	
Other Expenses	06		12	
Finance Expenses	03	(68)	05	(107)
Net Profit before Tax		61		47

Statements of financial position as at 31st October 2022

	Binky Company (Rs. '000)		Smokey Company (Rs. '000)	
Assets				
Non-current assets				
Property, plant and equipment at cost	320		515	
Accumulated depreciation	(75)	245	(96)	419
Current assets				
Inventory	91		293	
Receivables	46		75	
Cash at bank	64	201	15	383
Total assets		446		802
Equity and liabilities				
Share capital and reserves				
Stated share capital	150		250	
Retained earnings	108	258	177	427
Non-current liabilities				
10% Loan note				50
Current liabilities				
Payables		188		325
Total equity and liabilities		446		802

Required:

A. Calculate the following ratios for Binky and Smokey (It is necessary to state the formulas used for calculating the ratios).

1. Profitability ratios.

- i. Gross profit ratio.
- ii. Net profit ratio.

2. Liquidity ratios.

- i. Current ratio.
- ii. Quick ratio.
- iii. Receivable's collection period in days (Assume all sales are on credit basis).

B. Compare and comment on the performance of the both companies as indicated by the ratios you have calculated in part A.

(Total 20 Marks)

Question No. 05

A. How can you classify the cost according to traceability?

(05 Marks)

B. ABC company is a manufacturing company that produce toys. The company has a standard toy that sells for Rs. 25 per toy. At present, the standard toy is manufactured in a small plant that relies heavily on direct labour workers. Therefore, the variable cost is high totaling Rs. 15 per toy. Last year the company sold 30,000 toys with the following results.

Description	Total value (Rs.)
Sales	750,000
Variable costs	(450,000)
Contribution	300,000
Fixed cost	(210,000)
Profit	90,000

Required:

- i. Calculate the contribution per toy and contribution margin ratio. (02 Marks)
- ii. Calculate the break-even point in units. (02 Marks)
- iii. Calculate the break-even point in value. (02 Marks)
- iv. Calculate the margin of safety in units. (02 Marks)
- v. This year, the company is planning to double its profit. How many toys need to produce to achieve this objective of the company? (02 Marks)

(10 Marks)

- C. Assume you have only Rs. 20,000 to invest. There are two alternative investments for that and money can be invested in only one investment. The net cash flows related to these two investments are as follows.

Year	Investment A (Rs.)	Investment B (Rs.)
01	4,000	5,000
02	4,000	5,000
03	4,000	5,000
04	4,000	5,000
05	4,000	5,000

Required:

Analyze both investment by using the payback period method and comment on which investment would you select and why?

(05 Marks)

(Total 20 Marks)

Description	Total value (Rs.)
Sales	750,000
Variable costs	(450,000)
Contribution	300,000
Fixed cost	(210,000)
Profit	90,000

Calculate the contribution per unit and contribution margin ratio.

(02 Marks)

Calculate the break-even point in units.

(02 Marks)

Calculate the break-even point in value.

(02 Marks)

Calculate the margin of safety in units.

(02 Marks)

This year, the company is planning to double its profit. How many units does it produce to achieve this objective of the company?

(02 Marks)

(10 Marks)