



UNIVERSITY OF RUHUNA

BACHELOR OF SCIENCE GENERAL DEGREE LEVEL III (SEMESTER I)
EXAMINATIONS- JULY-2016

SUBJECT: Accounting

COURSE UNIT: FSC 3122

TIME: Two (02) hours

Answer all questions.
Calculators are permitted.

Question 01

- I. Briefly discuss the importance of accounting information for business decision making.
(04 Marks)
- II. The following trail balance has been extracted from the books of Jayamaga Stores as at 31st December 2015.

Description	Amount Rs.	
	Debit	Credit
Capital as at 01 st January 2015		1,450,000
Retained Earnings		680,000
Property Plant and Equipment at Costs		
Buildings	2,500,000	
Furniture and Fittings	600,000	
Office Equipment	450,000	
Accumulated Depreciation as at 01 st January 2015		
Buildings		375,000
Furniture and Fittings		180,000
Office Equipment		150,000
Inventory	380,000	
Trade Receivables	340,000	
Trade Payables		460,000
Purchases	960,000	
Sales		1,680,000
Return Inwards	20,000	

Carriage Inwards	15,000	
Income Tax Paid	24,000	
Administrative Expenses	125,000	
Selling and Distribution Expenses	84,000	
Bank Loan Interest	50,000	
Rent Income		250,000
Cash Discount Received		9,000
Cash Discount Allowed	7,500	
Sampath Bank Loan @ 12% Interest Rate		500,000
Cash and Bank	178,500	
	5,734,000	5,734,000

The following additional Information is available.

- The value of inventory as at 31st December 2015 was Rs. 425,000.
- An amount of Rs. 25,000 due from a customer became irrecoverable as at 31st December 2015, and is to be written off as a bad debt.
- Depreciation on Property, Plant and Equipment is to be made on the straight line method at following rates,

Buildings	5%
Furniture and Fittings	10%
Office Equipment	20%
- Accruals and pre-payments as at 31st December 2015 were as follows,

Accrued Rent Income	Rs. 50,000
Accrued Salaries	Rs. 30,000
Pre-paid Advertising Expenses	Rs. 25,000
- During the financial year, stocks valued at Rs. 28,000 were stolen by an employee. No entries have been made in the books.

Required

- Prepare Income Statement for the year ended 31st December 2015.
- Prepare the Statement of Financial Position as at 31st December 2015.

(24 Marks)

(Total 28 Marks)

Question 02

1. Briefly discuss the purpose of preparing cash flow statement.

(03 Marks)

II. Gamage Traders engages with buying and selling pharmaceutical products and its financial statements are as follows,

Income statement for the year ended 31st December 2015

	Rs.	Rs.
Sales		1,480,000
Cost of Goods Sold		(860,000)
Gross Profit		620,000
Operating Expenses		(420,000)
Depreciation Expenses		(36,000)
Profit on Sale of Equipment		18,000
Interest Expenses		(21,000)
Net Income Before Tax		161,000
Income Tax Expenses		(25,000)
Net Income		136,000

Statements of Financial Position as at 31st December 2014 and 2015

Assets	2015	2014
Non-current Assets		
Property Plant and Equipment	470,000	450,000
Accumulated Depreciation	(131,000)	(110,000)
Current Assets		
Inventory	235,000	280,000
Trade Receivables	120,000	96,000
Pre-paid Expenses	18,000	12,000
Cash	253,000	186,000
Total Assets	965,000	914,000
Equity		

Share Capital	500.000	450.000
Reserves	278.000	162.000
	778.000	612.000
Liabilities		
Long term Liabilities		
Bank Loan @ 15% Interest Rate	60.000	120.000
Current Liabilities		
Trade Payables	78.000	138.000
Interest Payable	18.000	26.000
Income Tax Payable	31.000	18.000
	965.000	914.000

Additional information on transactions of the year 2015 is as follows.

- Sold an equipment costing Rs.30,000 with accumulated depreciation of Rs.15,000 for Rs.33,000 cash.
- Purchased a machine costing Rs.50,000 by paying cash.
- Issued 5,000 shares of common stocks for Rs.10.00 per share.
- Declared and paid cash dividends of Rs.20,000.

Required

Prepare a complete statement of cash flow for the year ended 31st December 2015 by using the indirect method.

(15 Marks)

(Total Marks 18)

Question 03

- Briefly discuss the reasons for the differences of cash book balance and the balance of bank statement.

(04 Marks)

- Miss. Nimesha Fernando is the newly recruited accounts executive of Ishara Traders. She has been assigned to prepare the Bank Reconciliation Statement for the month of June, 2016. The firm's cash book (the cash column is omitted) and a copy of bank statement as at 30th June 2016 are as follow.

Ishara Trader's Cash Book

Date	Receipts	Bank	Date	Payments	Bank
June 01	Asiri Super	196.000	June 01	Balance as at 01 st June 2016	234.000
June 03	Kamala Traders	75.000	June 03	Suhada Traders (342877)	145.000
June 15	BanuEdirisinghe	120.000	June 05	Nishantha Silva (342878)	18.000
June 30	Bagya Enterprise	84.000	June 08	Nimal Stores (342879)	31.500
	Balance c/f	59.000	June 13	Gayana Stores (342880)	24.000
			June 17	KushaniPerera (342881)	67.500
			June 28	Water Board (342882)	14.000
		534.000			534.000
			July 01	Balance b/f	59.000

Bank Statement

Date	Details	Debit	Credit	Balance
June 01	Balance			(234.000)
June 02	Cheque 005634		196.000	(38.000)
June 04	Cheque 342877	145.000		(183.000)
June 05	Cheque 563908		75.000	(108.000)
June 09	Cheque.342878	18.000		(126.000)
June 14	Cheque 342880	24.000		(150.000)
June 16	Cheque 980341		120.000	(30.000)
June 26	Insurance Premium	36.000		(66.000)
June 29	Cheque 342882	14.000		(80.000)
June 30	Dahanayaka Stores		54.000	(26.000)
June 30	Bank charges	3.500		(29.500)

Required

Assist Miss. Nimesha to prepare bank reconciliation statement for the month of June 2016.

(10 Marks)

(Total Marks 14)
