

**UNIVERSITY OF RUHUNA**

**BACHELOR OF SCIENCE GENERAL DEGREE LEVEL III (SEMESTER I)**  
**EXAMINATIONS- AUGUST/SEPTEMBER-2017**

SUBJECT: Accounting

COURSE UNIT: FSC 3122

TIME: Two (02) hours

Answer all questions.

Calculators are permitted.

**Question 01**

I. "Accounting provides useful information for the business decision making". Briefly discuss the above statement with suitable examples.

(04 Marks)

II. Briefly describe the following fundamental accounting concepts.

- Entity Concept
- Going Concern
- Unit of Measure
- Periodic Reporting

(06 Marks)

(Total Marks 10)

**Question 02**

Asiri Industries is a sole proprietorship business which manufactures plastic products. The following trail balance has been extracted from the books of Asiri Industries as at 31 March 2017.

Description	Amount Rs.	
	Debit	Credit
Property Plant and Equipment at Costs		
Buildings	3,000,000	
Plant and Machineries	1,500,000	
Office Equipment	600,000	
Furniture	450,000	
Accumulated Depreciation as at 01 April 2016		
Buildings		600,000
Plant and Machineries		300,000
Office Equipment		150,000
Furniture		270,000

Inventory as at 01 April 2016	580,000	
Trade Receivables	420,000	
Trade Payables		560,000
Purchases	1,600,000	
Sales		2,450,000
Return Inwards	15,000	
Carriage Inwards	24,000	
Income Tax Paid	45,000	
Salaries	125,000	
Telephone Charges	21,000	
Electricity	36,000	
Advertising Expenses	90,000	
Sales Commission	35,000	
Bank Loan Interest	90,000	
Rent Income		380,000
Cash Discount Received		15,000
Cash Discount Allowed	9,000	
Bank Loan @ 12% Interest Rate		1,200,000
Cash in Bank		175,000
Cash in Hand	110,000	
Capital as at 01 April 2016		2,650,000
	8,750,000	8,750,000

The following additional Information is available.

- The value of inventory as at 31 March 2017 was Rs.720,000.
- Depreciation on Property, Plant and Equipment is to be provided on the straight line method at following rates,
 

Buildings	5%
Plant and Machineries	20%
Office Equipment	25%
Furniture	20%
- Break-up of trade payables and trade receivables are as follows,

Trade Payables		Trade Receivables	
Gamage Stores	Rs.135,000	Ganga Vithanage	Rs.190,000
Nihal Stores	Rs.240,000	Sunil Stores	Rs.170,000
Samudra Stores	Rs.185,000	Subodha Traders	Rs.60,000
	Rs.560,000		Rs.420,000

The amount due from Subodha Liyanage became irrecoverable as at 31 March 2017, and is to be written off as bad debt.

- d. Accrued expenses and pre-payments as at 31 March 2017 were as follows,
- |                           |           |
|---------------------------|-----------|
| Accrued Electricity       | Rs.4,500  |
| Accrued Salaries          | Rs.35,000 |
| Pre-paid Sales Commission | Rs.12,000 |
- e. During the financial year, Rs.38,000 valued stocks were obtained by the owner for his personal use. This has not been recorded in the accounts for the year ended 31 March 2017.
- f. Business has rented out one of its buildings for a monthly income of Rs.35,000.

**Required**

- I. Prepare Income Statement for the year ended 31 March 2017.
- II. Prepare the Statement of Financial Position as at 31 March 2017.

(25 Marks)

**Question 03**

Crystal Traders engages with buying and selling baby items. For the financial year 2016, financial statements of the business are as follows.

Income Statement for the Year Ended 31 December 2016

	Rs.	Rs.
Sales		2,150,000
Cost of Goods Sold		(1,470,000)
Gross Profit		680,000
Operating Expenses	(340,000)	
Depreciation Expenses	(42,000)	
Loss on Sale of a Machine	(24,000)	
Interest Expenses	(25,000)	(431,000)
Net Income Before Tax		249,000
Income Tax Expenses		(28,000)
Net Income		221,000

Statements of Financial Position as at 31 December 2016 and 2015

	2016	2015
<b>Assets</b>		
<b>Non-current Assets</b>		
Property Plant and Equipment	1,250,000	960,000
Accumulated Depreciation	(341,000)	(320,000)
	909,000	640,000

<b>Current Assets</b>		
Inventory	286,000	280,000
Trade Receivables	160,000	185,000
Pre-paid Expenses	24,000	17,000
Cash	41,000	93,000
<b>Total Assets</b>	<b>1,420,000</b>	<b>1,215,000</b>
<b>Equity and Liabilities</b>		
<b>Equity</b>		
Share Capital	900,000	750,000
Reserves	235,000	139,000
	<b>1,135,000</b>	<b>889,000</b>
<b>Liabilities</b>		
<b>Long term Liabilities</b>		
Bank Loan	110,000	140,000
<b>Current Liabilities</b>		
Trade Payables	119,000	127,000
Interest Payable	37,000	28,000
Income Tax Payable	19,000	31,000
	<b>1,420,000</b>	<b>1,215,000</b>

Additional information on transactions of the year 2016 is as follows,

- Sold a machine costing Rs.240,000 with accumulated depreciation of Rs.21,000 for Rs.195,000 on cash.
- Purchased a machine costing Rs.530,000 by paying cash.
- Issued 10,000 ordinary shares for Rs.15.00 per share.
- Declared and paid cash dividends of Rs.125,000.

#### Required

Prepare a Statement of Cash Flow for the year ended 31 December 2016 by using the indirect method.

(15 Marks)

#### Question 04

On 01 January 2017, Jayasundara Trader's cash book showed debit balance of cash Rs.425,000. Transactions occurred during the month of January 2017 are given below.

- |            |  |
|------------|--|
| January 01 | Started a bank current account at Commercial Bank depositing Rs.175,000. |
| January 02 | Purchased an office computer for Rs.75,000 from Abans.                   |
| January 05 | Purchased inventories from Jayabima Lanka Traders for Rs.84,000.         |

January 06	Received a cheque from Mrs. Sunanda for Rs.22,500 in full settlement of her account and allowed her a discount of Rs.1,500.
January 09	Purchased office equipment for Rs.75,000.
January 12	Deposited the cheque received from Mrs. Sunanda.
January 13	Sold Rs.35,000 valued inventories for Rs. 48,000 on cash.
January 17	Issued Rs. 34,000 valued cheque to Mr. Gayashan and received Rs.2,000 discount.
January 18	Received a cheque from Mr. Perera for Rs.42,000 in part payment of his outstanding balance.
January 21	Withdrawn Rs.35,000 from the bank current account for the business usage.
January 23	Sold Rs.72,000 valued stocks for Rs.95,000 to Mrs. Gajanayaka.
January 24	Purchase inventories from Sanasuma Traders for Rs.65,000 with 5% discount.
January 27	Received Rs.25,000 valued cheque from Mr. Husain to settle his Rs.27,500 outstanding balance.
January 28	Issued Rs.24,000 valued cheque to settle monthly electricity bill.
January 30	Deposited the cheque received from Mr. Husain.
January 31	Paid salaries by issuing Rs.35,000 valued cheque.
January 31	Paid Rs.6,500 as a monthly installment of Abans.

**Required**

Prepare the Three Column Cash Book for the month ended 31 January 2017.

(10 Marks)

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