



**UNIVERSITY OF RUHUNA**  
**FACULTY OF MANAGEMENT AND FINANCE**

No. of Pages : 04  
No. of Questions: 01  
Total Marks : 70

**ACC 22103 – Computer Applications in Accounting**

Academic Year 2021/2022

BACHELOR OF BUSINESS ADMINISTRATION HONOURS DEGREE

2000 LEVEL SECOND SEMESTER END EXAMINATION –FEB/MAR 2023

*Three Hours*

**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.

01. Orico (Pvt) Ltd distributes cosmetic items on retail basis. The management has decided to introduce “Sage online 50” accounting software for its accounting functions starting from 1<sup>st</sup> of January 2023. Trail Balance as at 31<sup>st</sup> December 2022 and transactions during the month of January 2023 are presented below.

**Trail Balance – Orico (Pvt) Ltd**

No 85, Galle Road, Colombo 03, Tel : 011-2223568, Fax: 011-2223569, Email: [oricoco@yahoo.com](mailto:oricoco@yahoo.com),

Description	Dr (Rs.)	Cr (Rs.)
Land and Building	1,300,000.00	
Furniture and Fittings	600,000.00	
Plant and Machinery	850,000.00	
Goodwill	356,000.00	
Investment in Subsidiaries	540,000.00	
Inventories	14,500.00	
Trade Debtors	170,000.00	
Other Receivables	40,000.00	
<b>Cash and Cash Equivalents</b>		
Cash in Hand	120,000.00	
Sampath Bank		20,000.00
Peoples Bank	30,000.00	
Short Term Investment - Fixed Deposit	25,000.00	
Loans given to related parties	38,000.00	
VAT		63,000.00
Trade Creditors		450,000.00
Other Payables		10,000.00
Amounts due to related parties		17,000.00
Stated Capitals		1,900,000.00
Capital Reserves		853,500.00
Retained Earnings		770,500.00
	<b><u>4,083,500.00</u></b>	<b><u>4,083,500.00</u></b>

### Additional Information

- The financial year starts from 1<sup>st</sup> January 2023.
- The applicable VAT rate is 11% for both purchases and sales (VAT No: 1010202036-B56).
- The selling price is determined with a 20% profit markup for cost.
- The company categorize its expenses as Administrative, Distribution, Finance and Other expenses.

#### I. The composition of the fixed assets as at 01<sup>st</sup> January 2023.

Description	Cost (Rs.)	Net Value (Rs.) as at 31/12/2022
Land	800,000.00	800,000.00
Building	625,000.00	500,000.00
Furniture and Fittings	750,000.00	600,000.00
Plant and Machinery	1,000,000.00	850,000.00

NB:

- The company was established on 01<sup>st</sup> of January 2022 and all the assets were bought by the company on the same date.
- Depreciation is to be provided based on straight line method.
- Furniture and fittings are used for the sales department functions and all the other assets are used for the administrative functions.

#### II. The opening balances and other relevant details of the creditors as at 01<sup>st</sup> of January 2023.

Supplier	Outstanding Balance (Rs.)	Credit Limit (Rs.)	Credit Period (Days)
Dilon Brothers	150,000.00	300,000.00	35
Aranayake (Pvt) Ltd	100,000.00	300,000.00	35
Eshan and Sons	200,000.00	300,000.00	35

\*\* The company is eligible for Rs. 500,000.00 credit limit and 30 days of credit period for all the other suppliers.

#### III. The opening balances and other relevant details of the debtors as at 01<sup>st</sup> of January 2023.

Customers	Outstanding Balance (Rs.)
Niluka Cosmetic Shop	90,000.00
Cosmo House	80,000.00

\*\* All the customers are eligible for Rs. 600,000.00 credit limit and 30 days of credit period.



IV. Inventory details as at 01<sup>st</sup> of January 2023.

Category	Description	In stock (Units)	Unit Price (Rs.)	Total (Rs.)
Shower Gel	Beauty Shower	5	250.00	1,250.00
	Ayur Shower	8	750.00	6,000.00
Moisturizer	Sun Protector	2	500.00	1,000.00
	Whitening	5	800.00	4,000.00
	Aloe Gel	3	750.00	2,250.00

V. Orico (Pvt) Ltd received orders from Niluka Cosmetic Shop for 40 Beauty Shower Gel and from Chalani Cosmetic Shop for 30 Ayur Shower. To fulfill these orders, Orico (Pvt) Ltd placed orders to Dilon Brothers for 50 Beauty Shower Gel at Rs. 250 each and to Silva Cosmetic for 50 Ayur Shower at Rs. 750 each. All the products were received except for 10 Ayur Shower from Silva Cosmetic on 10<sup>th</sup> January 2023 and Orico (Pvt) Ltd dispatched all the orders received, to the customers on the same date.

A Rs. 50,000 worth Sampath Bank cheque was received from Niluka Cosmetic Shop on 15<sup>th</sup> January 2023 and Orico (Pvt) Ltd paid to Dilon Brothers by Rs.20, 000 worth Sampath Bank cheque and Rs.20, 000 worth Peoples Bank cheque.

VI. Orico (Pvt) Ltd decided to expand their businesses with a new product category: Face Masks. Under this new category Orico (Pvt) Ltd placed an order for 50 packets of Gold Face Masks to Silva Cosmetics at Rs. 400 each on 19<sup>th</sup> January 2023 and the full order was received on 25<sup>th</sup> January 2023. The first order for new product category was received by Orico (Pvt) Ltd on 26<sup>th</sup> January 2023 from Cosmo House for 10 packets of Gold Face Masks and they made an advance payment of Rs. 1000 on the same date. Orico (Pvt) Ltd dispatched the order on 3<sup>rd</sup> February 2023.

VII. The company obtained Rs. 1,000,000 as a long term loan at a 15% interest rate from the Sampath Bank on 01<sup>st</sup> January 2023 and bought a new set of furniture at a cost of Rs. 500,000 for the use of administration department. Orico (Pvt) Ltd also used this money to settle the opening outstanding balances of Aranayake (Pvt) Ltd and Eshan and Sons. Remaining amount of this loan was deposited in People's Bank for a fixed period of 24 months at a rate of 12% on 1<sup>st</sup> January 2023.

VIII. Orico (Pvt) Ltd rented out a new building in Colombo 04 for Rs. 25,000 per month from 1<sup>st</sup> February 2023. However on 25<sup>th</sup> January 2023, Orico (Pvt) Ltd paid a rental advance for a period of 3 months.

IX. A Rs.3,500 electricity bill for the month of December 2022 is yet to be paid and Orico (Pvt) Ltd has not record anything related to this in their accounts so far.

X. The company has made following expenses during January 2023 by Sampath Bank cheques. The prevailing VAT is included in all expenses except for salary.

	Rs.		Rs.
Salary	30,000	Maintenance	5,000
Insurance	10,000	Advertising	12,000

XI. The company decided to maintain a Rs. 5,000 petty cash imprest since 1 st January 2023, considering the complexity of the expenses pattern of the company. The following expenses have been made by petty cash during the month.

	<b>Rs.</b>
Travelling charges for receptionist	500
Postage for sending documents to the Lawyer	500
Stationary charges	1000

The Company's policy is that petty cash imprest is reimbursed at the end of each month.

XII. A letter was received from the Aluthkade court stating that, one of the employees who worked in Orico (Pvt) Ltd has filed a case for a compensation of Rs. 100,000 relating to an incident happened in the last year. The lawyer of Orico (Pvt) Ltd informed that most probably this compensation will have to be made by the company.

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 Reserves	3000	3999
Sales	4000	4999
Purchases	5000	5999
Direct Expenses	6000	6999
Overheads	7000	9999

You are required to,

- a) Create a Company, and prepare Chart of Accounts using Sage Line 50 Accounting Package.
- b) Record the opening balances and other transactions and post month end adjustments for January 2023.
- c) Save the Profit & Loss Account and the Balance Sheet for the month ending 31 st January 2023 as text files (txt).
- d) Create a backup of the company accounts after recording all above transactions and events.

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