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De Mazenod College, Kandana

Grade 12

2<sup>nd</sup> Term test –April 2016

Accounting I

One hour

1. The objective of accounting is,
  - I. Record transactions of a firm in the books of accounts
  - II. Record transactions, classify and summarize them
  - III. Analyze the information in the financial statements
  - IV. To provide information to managers for planning and controlling
  - V. To provide information of a firm to it's external stakeholders and managers for decision making
2. Which of the following statements are true relating to management accounting
  - A- It provides information for the managers of a firm to take decisions
  - B-It provides information to plan and control the operating activities of a business
  - C-It provides information to external parties to take economic decision
  - I. A only
  - ii. B only
  - III. C only
  - IV. A and B only
  - V. A,B and C
3. Following are some of the equations relating to accounting,
  - A Capital + Net profit + Liabilities = Assets
  - B Net Assets = Total Assets – Total Liabilities
  - C Capital + Incomes + Liabilities = Assets - ExpensesThe correct accounting equation/equations would be,
  - I. A and B
  - II. A and C
  - III. B and C
  - IV. B only
  - V. All equations
4. Transaction was effected to the element of accounting equation in Dumbara Computer Ltd as follows
  - Assets - Decrease inventories by Rs 6000
  - Assets – Increase office equipment by Rs 6000What is the statement best describe the above transaction
  - I. Purchase of office equipment of Rs 6000 and sale of stock for costing Rs 6000
  - II. Trade stock of Rs 6000 classified as office equipment
  - III. Rectifying the error of recording an inventory item of Rs 6000 in the office equipment account
  - IV. Rs 6000 worth of inventories consumed as office expenses
  - V. Recording return inwards of Rs 6000 to stores from shore room

5. The bank loan installment paid inclusive of an interest of Rs 2000 was Rs 35000. The effect of this transaction on accounting elements is shown as,

	Liabilities	Equity
I.	Decrease by Rs 35000	Increase by Rs 35000
II.	Decrease by Rs 33000	Decrease by 2000
III.	Decrease by Rs 35000	Increase by Rs 2000
IV.	Decrease by Rs 33000	Increase by Rs 2000
V.	Decrease by 2000	Increase by 2000

6. Prime entry books and the source documents are given below

X	Y
1. Cash book	A- Invoice
2. Purchase journal	B- journal voucher
3. General journal	C- Debit note
4. Return inwards Journal	D- Voucher
5. Return outwards Journal	E- Credit note

The relevant source documents arranged from 1 to 5 respectively would be,

- I. A,D,B,E and C  
 II. B,A,D,E and C  
 III. C,A,B,E and D  
 IV. D,A,B,C and E  
 V. D,A,B,E and C
7. Following credit sale information relates to the month of March 2015

Debtor	List price	Trade discount	Due date for settlement	Settlement date
Hasitha	1000	10%	15 <sup>th</sup> March	12 <sup>th</sup> March
Sisitha	4000	5%	20 <sup>th</sup> March	25 <sup>th</sup> March

5 % cash discount is allowed for early settlements.

The correct double entry to record the discount allowed amount would be

- I. Discount allowed account DR Rs 45, Debtors control account credit Rs 45  
 II. Discount allowed account DR Rs 45, Cash account credit Rs 45  
 III. Discount allowed account DR Rs 50, Debtors control account credit Rs 50  
 IV. Discount allowed account DR Rs 235, Debtors control account credit Rs 235  
 V. Discount allowed account DR Rs 235, Cash account credit Rs 235
8. Following errors have been revealed by a business.
- A-sales invoice has been completely omitted from the books Rs 20000  
 B-closing stock not recorded Rs 60000  
 C-Opening bank balance has been recorded the debit side of the cash book Rs 25000  
 D-A creditor account has been overstated by Rs 2000 when adding the values

Errors affecting to the agreement of the trial balance would be,

- I. A and B only
- II. A and C only
- III. A and D only
- IV. B and c only
- V. C and D only

Use the following information to answer questions 9 and 10

The debtor control account of Dinuth Ltd did not agree with the total of debtors balance list.

Debtor control account balance as at 31.3.2014 was Rs 50000.

Following information has been revealed later

- Total of sales account Rs 19000 has been recorded in to control account as Rs 9000
- Credit sales to Amal Rs 3000 has not been recorded in to his personnel account
- Total of debtors balance list has been overstated by RS 900
- Bad debt written off Rs 3000 has not been recorded in the control account.

9. Adjusted debtor control account balance as at 31.3.2014 would be,

- I. Rs 60000
- II. Rs 59000
- III. Rs 57000
- IV. Rs 70000
- V. Rs 55000

10. The total of the debtors balance list before corrections would be ,

- I. Rs 57600
- II. Rs 57300
- III. Rs 57000
- IV. Rs 62300
- V. Rs 215000

11. Kaldera Ltd sold goods to Devidu ltd on 1/1/2016. Goods returned was Rs 5000. Devidu Ltd paid Rs 19000 by a cheque and discount received amount was Rs 500. The source documents used to recorded these trans actions in Kaldera Ltd are,

- I. Debit note, Invoice, Payment voucher
- II. Invoice ,credit note, receipt
- III. Credit note, receipt, invoice
- IV. Invoice, credit note, bank statement
- V. Invoice ,debit note, bank statement

12. Which of the following equation can be used to calculate the net profit of a sole trade business.

- I. Closing net assets + drawings - additional capital - opening net assets
- II. Closing net assets - drawings +additional capital - opening net assets
- III. Closing net assets - drawings - additional capital - opening net assets
- IV. Closing net assets + drawings + additional capital - opening net assets
- V. Closing net assets- opening net assets + drawings - additional capital

13. Following errors has been revealed by a business. After rectifying them the suspense account has been cancelled.

A-Discout received amounting to Rs 500 has been debited to discount allowed account as Rs 500

B-Cash received from debtors Rs 600 has been correctly recorded in the cash book but it has been recorded in the ledger as Rs 6000

C-Cash sales amounting to Rs 1500 has been recorded twice

Suspense account balance would have been,

- I. Rs 1900
- II. Rs 3600
- III. Rs 3400
- IV. Rs 1900
- V. Rs 4400

14. Following transactions has been taken place in a sole trade business.

1. Cash Rs 50000 and a land worth Rs 70000 has been invested in the business
2. Paid Rs 2000 and purchased a stock worth Rs 10000 .
3. Sold stock for Rs 12000. Cost of this stock was Rs 8000

The effect to the accounting equation would be,

	Asset =	equity +	Liabilities
I.	122000 =	114000 +	8000
II.	132000 =	124000 +	8000
III.	132000 =	12000 +	12000
IV.	130000 =	128000 +	2000
V.	130000 =	120000 +	10000

15. What is the correct sequence in which the following activities take place in the accounting process?

A-Recording the transactions in the prime entry books

B-Preparation of source documents

C-occurrence of the transactions

D-Preparation of the trial balance

E-Posting the journal entries to the ledger

- I. B,D,C,A,E
- II. C,B,A,E,D
- III. C,B,A,D,E
- IV. C,A,B,E,D
- V. D,B,C,A.E

16. The unpresented cheques of a business will affect to the bank statement balance as,

A-Decrease the cash book bank balance than bank statement balance

B- Decrease the cash book over draft balance than bank statement overdraft balance

C- A change will not occur in two balances

Which of the above statements are untrue?

- I. A and B only
- II. A and C only
- III. B and C only
- IV. A only
- V. C only

17. Classify the following items as assets, liabilities, expenses, incomes and equity

Account	Classification
I. Insurance receivable	.....
II. Sales	.....
III. An advance received for a sale of a next period	.....
IV. A loan received from the owner	.....
V. Net profit	.....

18. State whether the following statements are true or false

- I. General journal is not a special journal (.....)
- II. Journals provide same class of transactions occurred for a period (.....)
- III. Dishonourance of deposited cheques record in the general journal(.....)
- IV. Cancellation of discount allowed amount will be recorded in the general journal(.....)
- V. The imprest balance will change according to the payments made by petty cash(.....)

19. State the dual role of the cash book.

20. State the relevant prime entry book and source document for the following transactions.

Transaction	Prime entry book	Source document
I. Cancellation of discount allowed to a debtor	.....	.....
II. Credit purchase of material	.....	.....
III. Discount allowed	.....	.....
IV. Paid to a debtor to settle accredit sale	.....	.....

21. State two differences between equity and liabilities.

22. State two differences between sectional balancing method and self-balancing method.

23. Following information relates to Lohira's business for the month ended 31<sup>st</sup> March 2016.

Petty cash balance as at 1<sup>st</sup> March Rs 8000

Refreshment expenses Rs Rs 3000

Petty cash balance as at 31<sup>st</sup> March 2015 Rs 9000

Travelling expenses Rs 4000

Salary paid Rs 4000

What is the petty cash imprest?.....

What is the amount reimbursed on 1<sup>st</sup> March 2015?.....

24. What are the advantages of keeping subsidiary ledgers in addition to general ledger?

25. State two differences between financial accounting and management accounting.

Answer 4 questions including question no. 01

Question 01

The trial balance as at 30<sup>th</sup> June 2015 in Kamal enterprise is given below.

	DR	CR
Noncurrent assets and provision for depreciation as at 1/7/2015		
Building	800000	200000
Plant and machinery	650000	150000
Motor vehicle	400000	100000
Office equipment	150000	50000
Inventory on 1/7/2014	60000	
Purchases and sales	250000	580000
Returns	15000	15000
Carriage inwards	8000	
Import duties	20000	
Electricity	4000	
Insurance	5000	
Rates	3000	
Net salary	36000	
Discounts	3000	5000
Advertising	12000	
Transport	20000	
Other administration expenses	20000	
Bad debts	4000	
Debtors and creditors	60000	80000
Provision for doubtful debt as at 1 <sup>st</sup> July 2014		4000
Bank loan		180000
Bank loan interest	4000	
Investment	200000	
Investment income		5000
Drawings	30000	
Cash and bank	50000	
Rent received		40000
Capital		1395000
	2794000	2794000

Additional information

1. Cost of closing inventory as at 30/6/2015 Rs 85000.
2. Insurance was paid for one year starting from 1<sup>st</sup> January 2015.
3. Rates were paid for the year ended 31<sup>st</sup> December 2015.
4. Rent was received for two years starting from 1<sup>st</sup> April 2015.
5. Bank loan was obtained on 1<sup>st</sup> December 2014 at an annual interest rate of 20%.
6. Investment was made on 1<sup>st</sup> December 2014 at 12% interest per annum.
7. The owner has taken goods amounting to Rs 1000 in every month. But no records were made in this respect.
8. Building and office equipment should be depreciated on straight line basis at 5% and 10 % respectively per annum.
9. Other Noncurrent assets should be depreciated at 10% per annum on straight line basis.
10. Provision for doubtful debt should be adjusted at 10% of the closing debtors balance
11. EPF and ETF contributions are as follows

	EPF	ETF
Employer	15%	3%
Employee	10%	-

Required

1. Income statement for the year ended 30/6/2015
2. Statement of financial position as at 30/6/15

**Question 02**

Dilruwan commenced a business on 01/01/2015 for repair motor vehicles. The following transactions were taken place on the same day.

1. Dilruwan invested Rs 300000 cash and motor vehicle repair equipment.
2. Paid Rs160000 for building as an advance for rent for the one year period.
3. Purchases motor vehicle repair equipment for Rs 100000.
4. Rs 320000 of repairing service income for the period was earned and out of which Rs 100000 was receivable as at 31/3/2015
5. Paid Rs 40000 for motor vehicle repair materials and further Rs 20000 is payable as at 31.03.2015
6. Paid Rs 27000 for electricity and water bill during the quarter.
7. Paid employees salary of Rs 10000 for each month.
8. Motor vehicle repair equipment should be depreciated 10% annually on straight line method.
9. During the period Rs 20000 worth of material were used for the repairing of motor vehicle.

Required

1. Record the above transaction to the following accounting equation for the quarter ended 31/3/2015

$$\begin{array}{ccccccccc}
 \text{Motor vehicle} & + & \text{M/V repair material} & + & \text{Trade} & + & \text{Prepaid} & + & \text{cash} & = & \text{Equity} & + & \text{Trade} \\
 \text{repair} & & & & \text{Receivable} & & \text{expense} & & & & & & \text{payable} \\
 \text{equipment} & & & & & & & & & & & & 
 \end{array}$$

2. Prepare a statement of profit or loss to the calculation of net profit
3. Extraction of financial position as at 31/03/2015



**Question 03**

The total balance of creditors ledger of Theekshana PLC as at 1/3/2014 were as follows.

	(Rs 000)
Asitha	25000
Visitha	44000
Lasitha	<u>12000</u>
Total	<u>81000</u>

The total of creditors ledger balances agreed with the Creditor Control Account balance as at 1/3/2014. However, these two balances did not agree as at 31/3/2014. Subsequent investigation revealed the followings

- Rs 3000
- (i) Discount received from Asitha, has been debited to creditor control account and it has been credited to discount received account, other than that no any other entry has been made.
  - (ii) A debit note sent to Visitha has not been debited in to his account, Rs 4000.
  - (iii) Cash sales amounting to Rs 20000 has been credited to creditor control account.
  - (iv) A purchase invoice received from Muditha relating to a purchases made on 28/3/2014 has not been recorded in the purchases journal Rs 12000.
  - (v) The total of purchases journal has been recorded in to the control account as Rs 603000.

Required

1. Creditor control account for the month of March 2014 before rectifying the above errors.
2. A statement to reconcile the creditor control account balance with the total of creditors list balances.
3. Corrected creditor control account as at 31/3/2014.

**Question 04**

- (a) Following items have been included in a debtor control account .
- Debtor control account

1. Balance b/f	Xxx	8. Balance b/f	Xxx
2. Sales	Xxx	9. Cash received from customers	Xxx
3. Dishonoured cheques	Xxx	10. Discount allowed	Xxx
4. Cash paid to debtors	Xxx	11. Returns	Xxx
5. Discounts cancelled	Xxx	12. Bad debts	Xxx
6. Interests charged from debtors	Xxx	13. Set off against creditors ledger	Xxx
7. Balance c/d	Xxx		xxx
Balance b/f	xxx	Balance/b/f	xxx

Required

Provide source documents for above items (1 to 13)

- (b) Credit side total of the Trial balance prepared as at 31/3/2014 in Prasad enterprise exceeds by Rs 16200 than the debit side. Following errors were revealed later .

- (i) Advertising expense Rs 6000 has not been recorded in to the advertising expense account.

- (ii) The balance in the Insurance expense account Rs 3200 has not been taken to the trial balance.
- (iii) Motor vehicle repair expense has been recorded in to the Motor vehicle account Rs 10000
- (iv) Return outwards Rs 2400 has been recorded twice in to return outwards account.
- (v) Discount received Rs 1000 has been debited to the discount allowed' account.
- (vi) Sales journal has been overstated by Rs 9000.

Required

1. Journal entries to rectify the above errors.
2. Suspense account

### Question 05

- (a) The cash book of the Araliya PLC showed a debit balance of 17900 as t 31/12/2015. It was not agreed with the bank statement balance of the same date. The subsequent investigation revealed the following.
- (i) Rates paid on 3/12/2015 Rs 1250 as per the standing order given.
  - (ii) Bank charge of Rs 650 has been charged from the business bank account on 16<sup>th</sup> December.
  - (iii) The cheque issued on 20/12/2015 for Rs 850 has been recorded in the bank account of the business as Rs 580
  - (iv) A cheque issued during the month of November for Rs 1850 and a cheque issued during the month of December Rs 2500 have not been presented to the bank as at 31/12/2015
  - (v) Total of Cheques deposited on 30/12/2015 not recorded in the bank statement Rs 3900
  - (vi) Company has issued a cheque to a supplier for Rs 5000 as an advance of a settlement. But later due to a conflict arose between two parties the company informed the bank to stop the payment for the cheque issued to that particular supplier. But the bank has already made the payment before the companies order. Therefore the bank refused the order.

Required

1. Adjustments to the bank account of the business as at 31/12/2015
2. Bank reconciliation statement starting with the adjusted bank account balance.

- (b) Harsha Ltd decided to maintain a petty cash system commencing from 1<sup>st</sup> February 2015 with a petty cash imprest of Rs 3000. Petty cash transactions of Harsha's business for the month of February are given below.

February

1. Received petty cash imprest from the main cashier Rs 3000
2. Distributional expense paid Rs 400
3. Office windows cleaning expense paid Rs 300
4. Owner withdrew cash for his personal use Rs 500
5. Paid for cleaning of the photocopy machine Rs 300
6. Purchased stationery for Rs 325
7. Paid cash to a creditor Ravi Rs 500
8. Paid Rs 250 to car service centre to clean the owners personal car.

Required

1. Petty cash account showing the reimbursement at the end of the Month February 2015 including the following columns  
Travelling Postage, Office maintenance, stationery and ledger
2. Post the transactions in to the ledger accounts