



De Mazenod College Kandana

Accounting- I

Grade 13 – Term test December 2016

02 hours

Answer all questions

1. Which of the following / statements /are correct in relation to the definition of an asset according to the conceptual framework for accounting.
A-It can be controlled by the business.
B-It is probable that future economic benefits associated with the item will flow to the entity
C-The cost can be measured reliably
 - i. B only
 - ii. A and B only
 - iii. A and C only
 - iv. B and C only
 - v. A,B and C
2. Box of pins purchased for Rs 30 has been used during the year. However pins worth of Rs 12 remained at the end of the year. This was considered as Rs 30 expense for the year ignoring the closing value of pins. The accounting concept which provides the basis for this is.
 - i. Matching concept
 - ii. Recognition of revenue expenses concept
 - iii. Materiality concept
 - iv. Prudence concept
 - v. Accrual concept
3. The credit note is used as a source document,
 - i. To record the credit sale of goods by x
 - ii. To accept the return of goods purchased by y from x
 - iii. To record the return of goods to x by y who has been purchased goods from x
 - iv. To record the return of goods purchased by x from y
 - v. To record transactions (ii),(iii),(iv) above.
4. Monthly statement received from a supplier Amal for the month of January 2013 is given below.

	Rs	Rs
2013.01.01 balance b/f		5000
2013.01.05 Invoice no 15	15600	
Less. Trade discount	(600)	15000
		20000
2013.01.20 Paid cash	4000	
Less. Cash discount	(200)	(3800)
		16200

Amounts should be recorded for the month January in the purchases journal and discount column of the cash book would be,

- i. Rs 20000 and Rs 200
- ii. Rs20000 and Rs 800
- iii. Rs 15000 and Rs 600
- iv. Rs 15000 and Rs 200
- v. Rs 16200 and Rs 200

5. A company which trade computers has decided that the stock in hand is outdated by gathering the new information through the internet. The relevant environment relates to this incident would be,
- Economic environment
 - Professional environment
 - Technological environment
 - Legal environment
 - Social and cultural environment
6. Following information is relating to a business as at 31.03.2013
 Bank overdraft as per bank statement RS 15000
 Unrealized cheques RS 67500
 Unpresented cheques Rs 45000
 Credit transfers Rs22500.
 What is the bank balance of the business as at 31.03.2013?
- Rs 7500
 - Rs37500
 - (Rs 37500)
 - (Rs 30000)
 - (Rs 60000)
7. As per LKAS 16 the change in useful life time of Property Plant and equipment is considered as
- Error of principle
 - Change in depreciation method
 - A change in accounting principle
 - A change in accounting estimate
 - A retrospective restatement in the financial statements
8. The objective of payment of interest on capital in a partnership business is,
- If the capital invested in a financial institution they will be entitled to an annual interest.
 - To give a benefit to the partners who have invested more capital and get the less amount of profits
 - To attract the additional capital from the partners
 - To avoid the capital repayments to partners
 - Because each partner has bared an opportunity cost on the capital invested
9. According to the standard LKAS 16 which of the following statement cannot be added to the cost of an asset
- Site preparation costs
 - Transportation cost
 - Maintenance expenses incurred after bringing the asset in to the working condition.
 - Asset installation cost
 - Professional charges to engineers
10. Transactions incurred in Sisil business for the month of January are given below.
- Owner settled a creditor of the business Rs 20000
 - Purchased a computer worth Rs 150000
 - Electricity bill of Rs 4500 for the month January has been received on February 04 2013
 - Purchased goods under 5% trade discount Rs 25000
 - Received Rs 12000 from a debtor
- Which of the following will effect to the change in net assets as at 31.1.2013
- A,C and D
 - B and D
 - A and C
 - A only
 - B,D and E

11. A furniture company has been registered for 10% VAT.(value added tax). The company purchased furniture for Rs 55000 inclusive of vat. And sold those furniture for Rs 99000 (vat exclusive value).The balance-in-the-vat account after recording the purchases and sales of furniture would be,
- Rs 4900 credit balance
 - Rs 4000 credit balance
 - Rs 5000 debit balance
 - Rs 4400 credit balance
 - Rs 9900 debit balance
12. Which of the following statement/statements is/are true
- All assets are considered as current assets when there is no going concern in a business
 - A change in price levels is not considered in historical cost concept
 - The accounting principles should not be changed according to consistency concept
 - In addition to the financial statements the notes comprising summary of significant accounting policies and other explanatory notes must be provided
- A,B and C
 - B,C and D
 - A,B and D
 - A,C and D
 - All above
13. A company discovered following errors after preparing the draft financial statements.
- Sales journal has been overstated by Rs 4000
 - Salaries paid to employees Rs 15000 has been recorded in to that account as Rs 1500
 - Rs 7000 received from a debtor has not been recorded in the debtor account
- What is the net effect to the profit of the company after rectifying the above errors?
- Increase by Rs 17500
 - Decrease by Rs 17500
 - Decrease by Rs 24500
 - Decrease by Rs 4000
 - No effect to the profit
14. Laksiri Ltd purchased a motor vehicle on a lease on 31.3.2013. But it has not been recorded in the books as yet. The accounting concept ignored by this incident would be,
- Disclosure concept
 - Prudence concept
 - Realistic concept
 - Consistency concept
 - Substance over form
15. Debtor control account of Sunimal 's business showed a balance of Rs 120000 as at 31.3.2013.It was not agreed to the total of debtors list balance in the sales ledger. Following errors were revealed later.
- A sales invoice has been completely omitted from the books Rs 4500
 - Rs1000 received from a debtor has been recorded in to the debt site of that customers account
 - Credit note amounting to Rs 1000 has been recorded only in to the customer's account.
- What was the debtors list total balance before rectifying the above errors?
- Rs 120000
 - Rs115500
 - Rs119000
 - Rs123000
 - Rs124000

16. Following information for the year ended 31.3.2013 relates to a manufacturing business.

Increase in raw material stock from 1.4.2012 to 31.3.2013 Rs200000

Decrease in work in progress from 1.4.2012 to 31.3.2013 Rs 300000

Direct labour cost Rs 400000

Raw material purchased Rs 1000000

Depreciation of machinery Rs 100000

Electricity and power Rs 250000

Machinery maintenance cost Rs 350000

Work in progress is valued at the prime cost.

What is the prime cost for the year ended 31.3.2013.

- | | |
|----------------|--------------|
| I. Rs 800000 | IV. Rs400000 |
| II. Rs1200000 | V. Rs1300000 |
| III. Rs1000000 | |

17. As per LKAS 16 property plant and equipment initially should be recognized at,

- I. Fair value
- II. Cost
- III. Cost or fair value
- IV. Lower of cost or net realizable value
- V. Present value

18. Amal Kamal and Vimal partnership earned a profit of Rs 755000 for the year ended 31.3.2016 before the following adjustments. The partnership agreement is as follows.

- Each partner is entitled a salary of Rs 50000 per annum.
- Total capital was Rs 1000000 and it is subject to an interest of 10% per annum.(50% of interest on capital has been withdrawn by the partners for the year ended 31.3.2016)
- Rs 30000 rent should be paid to Amal for the motor vehicle provided by him in addition to the capital

What is the total profit that can be appropriated to partners as share of profits after the above adjustments?

- | | |
|----------------|---------------|
| I. Rs 390000 | IV. Rs 140000 |
| II. Rs 505000 | V. Rs395000 |
| III. Rs 355000 | |

19. Which of the following statement/statements is /are falls under the category of "Revenue"

- A. Incomes generated by way of increase in asset
- B. Cash received from asset disposal
- C. Capital invested by owners
- D. Gains arise from asset revaluation

- I. ABC
- II. ABD
- III. ADE
- IV. ABE
- V. BCE

Answer questions no 20 and 21 using the following information

The balance in the debtors control account and the total of debtors list balance were not agreed for the year ended 31.3.2014.

Balance of debtors control account as at 31.3.2014 Rs 250000.

Total of debtors balance list as at 31.3.2014 Rs 200000

Additional information

- Total of sales journal Rs 350000 has been posted to the control account as 530000
- Receipt of Bad debt written off from a debtor has not been recorded in the books Rs5000
- Bad debt written off Rs 10000 and discount allowed amount of Rs 5000 were not recorded in the books

20. What is the adjusted balance as at 31.3.2014 in the debtors control account

- | | |
|---------------|---------------|
| I. Rs 250000 | IV. Rs 235000 |
| II. Rs 430000 | V. Rs 55000 |
| III. Rs 70000 | |

21. What is the total of debtors balances in the sales ledger after rectifying the errors.

- | | |
|----------------|---------------|
| I. Rs185000 | IV. Rs 195000 |
| II. Rs210000 | V. Rs 215000 |
| III. Rs 200000 | |

22. Ramesh, Dinuk and Kavidu are partners sharing profits in the ratio of 5:3:2 . Kavidu retired from the partnership and the remaining partners agreed to share profits equally among them. The Goodwill estimated on retired day was Rs 60000. The partners decided not to maintain a goodwill account in the books. What is the net effect to partners' capital accounts?

	Ramesh	Dinuk	Vimal
I.	5000Cr	1000Dr	4000Cr
II.	No effect	6000Dr	6000Cr
III.	No effect	12000Dr	12000Cr
IV.	15000Dr	21000Dr	6000Cr
V.	3000Dr	3000Dr	6000Cr

23. A company purchased a new motor vehicle for Rs 1000000 by exchanging an old machine which had a carrying value of Rs 650000. And the company paid another Rs500000 to by this motor vehicle. What is the exchange value of old machine and what is the profit or loss on disposal?

	Exchange value of old machine	Profit/loss on disposal
I.	Rs 650000	Rs 50000 loss
II.	Rs 500000	Rs 150000 loss
III.	Rs 500000	Rs 50000 profit
IV.	Rs 650000	Rs 150000 loss
V.	Rs 650000	Rs 50000 profit

24. A sports club had 1000 members as at 31.3.2013. 100 out of them are lifetime members. Annual subscription fee per member is Rs 600. 150 members did not pay their subscription fee for the year ended 31.3.2013. 25 members paid subscription for the following year during the current year. Life time subscription account balance as at 1.4.2012 was Rs 36000. 10% of this amount should be transferred to the current year subscription income account. What is the subscription income for the year and the subscription amount received in cash during the year?

- | | |
|-----------------------------|-----------------------------|
| I. Rs 543600 and Rs 450000 | IV. Rs 540000 and Rs 465000 |
| II. Rs 450000 and Rs 543600 | V. Rs 600000 and Rs 465000 |
| III. Rs 543600 and 465000 | |

25. A business use petty cash imprest system and reimburse at the end of each month. Petty cash balance as at 28.2.2013 was Rs 1200 and the amount in hand as at 31.3.2013 was Rs 1500. Petty cashier spent Rs 5600 during the month of February as petty cash expenses. During the month of March business decided to increase the petty cash imprest by another Rs 500. What is the amount that should be reimbursed as at 1.4.2013?

- | | |
|--------------|-------------|
| I. Rs 5600 | IV. Rs 6100 |
| II. Rs 5800 | V. Rs 6400 |
| III. Rs 5900 | |

26. Capitalizing the reserves in a company will result,

- I. Increase in assets and equity both
- II. Decrease in equity and assets both
- III. Decrease in liabilities and increase in equity
- IV. Decrease in equity and increase in liability
- V. No change in equity and assets

27. Stated capital account as at 1.4.2012 in Mahanama's business showed a balance of Rs 800000. Number of shares issued were 400000. The company made a right issue of shares at 1 share for every 4 shares held. A right issued share was valued at Rs 15. All shares were purchased by the shareholders. The cash received from the right issue and the value of stated capital account after the right issue would be,

- | | |
|-------------------------------|------------------------------|
| I. Rs 1200000 and 9200000 | IV. Rs 1500000 and 9500000 |
| II. Rs 1500000 and Rs 1900000 | V. Rs 2000000 and Rs 1000000 |
| III. Rs 1500000 and 6500000 | |

28. Due an adjustment the manufacturing cost has been decreased but the net profit is not affected. The adjustment would be,

- I. Material purchased for RS 10000 has not been recorded in the prime entry book
- II. Accrued bank loan interest Rs 5000
- III. Prepaid bank loan interest Rs 8000
- IV. Wages paid to workers in the factory has been included in the administration salary account
- V. Closing material stock has been recorded Rs 5000 less and opening finished goods stock has been overstated by Rs 8000.

29. Information relating to property plant and equipment in a business for the year ended 31.3.2014 is given below.

Depreciation on property plant and equipment Rs 500000

Loss on Land revaluation RS 150000

Profit on motor vehicle disposal Rs 50000

Land revaluation gain resulted on 31.3.2013 was RS 100000. What is the net decrease in profit of the company and net decrease in total comprehensive income ?

	Net decrease in profit (Rs)	Net decrease in total comprehensive income
I.	450000	150000
II.	500000	100000
III.	500000	600000
IV.	600000	500000
V.	600000	600000

30. Which of the following statement/statements is/are true relating to comprehensive income?

- A. It is the total of profit for the period and the other comprehensive income
 - B. It is the difference between the total revenue and the total expenses of the accounting period
 - C. It is the change in equity during the accounting year from the all transactions except the transactions with the owners.
- I. A and B
 - II. A and C
 - III. B only
 - IV. C only
 - V. A,B,C all

31. Araliya Ltd issued 1000 ordinary shares to collect a capital of Rs 100000. Company received applications for 1500 shares. Shares were allotted on prorata basis and the excess application money was returned. Record the above transactions in to the stated ordinary share capital account.

Stated ordinary share capital account

32. State whether the following statements are true or false.

- 1. Trial balance is prepared in subsidiary ledger itself under sectional balancing
- 2. Goodwill should be adjusted when the partnership will change
- 3. Proposed ordinary dividend should not be adjusted in financial statements
- 4. Bank overdraft should be credited to the bank account

True false

33. Categorize the following accounts into assets, liabilities, expenses, incomes and equity

1. Provision for depreciation
2. Partners capital accounts.....
3. Sales advance received
4. Equity

34. A manufacturing business provides the following information for the year ended 31.3.2016.

	Rs '000
Material purchases	2200
Direct manufacturing wages	500
Indirect manufacturing cost	700
Decrease in material stock	200
Increase in work in progress valued at prime cost	100

Calculate the followings.

- I. Prime cost
- II. Total manufacturing cost

Use the following information to answer questions No 35 and 36

Lahiru and Sathya carried out a partnership sharing profits and losses in the ratio 3:2. Trehana joined the partnership as a partner on 1.4.2015. On this date Trehana contributed Rs 1200000 in cash as capital and good will of partnership is estimated as Rs 2400000. The goodwill is not recognized as an asset in the books and all adjustments relating to it are done through the capital accounts. This date Lahiru and Sathya and Trehana agreed to continue the partnership sharing profits and losses in the ratio 3;2:1 and each partner is entitled to an annual salary of Rs 120000. During the year Trehana took RS 80000 cash as drawings. Her current account balance as at 31.3.2016 was Rs 280000. The other two partners did not take money as drawings during the year ended 31.3.2016.

35. Write the journal entry to adjust for the goodwill of the partnership as at 1.4.2015 (narration is not required)

36. The profit of the partnership for the year ending 31.3.2016.

37. State the difference between cash book and income statement in a non profit making organization based on following aspects.

Aspect	Cash book	Income statement
Purpose of preparation		
Basis of preparation		

38. A company acquired a machinery on 1.4.2010 for Rs 320000. The useful life time of the asset was 8 years and the scrap value was 0. A renovation was carried out on 1.4.2015 costing Rs 80000 by increasing the efficiency of the machine. Due to the renovation the useful life time of the machine was increased by another 2 years. The asset depreciates on straight line basis. Calculate the balances in following accounts as at 31.3.2016.

I. Machinery account

II. Provision for depreciation on machinery account

39. The carrying value as at 31.3.2015 of a motor vehicle was Rs 300000. The asset was exchanged for Rs 400000 and paid another Rs 200000 to acquire a new machine on 1.10.2015. Motor vehicles depreciates on 20% per annum on straight line basis. Annual depreciation of the exchanged machine was RS 100000. Calculate the followings.

I. Carrying value of the asset as at 31.3.2016

II. Profit or loss on asset disposal.

40. State the difference between issue of shares and capitalizing of reserves.

41. A sports club was formed on 31.3.2013 with 50 members. The annual subscription fee per member is RS 1000. Rs 45000 was received as subscription for the year ended 31.3.2013. Subscription received in advance as at 31.3.2013 was Rs 5000 and the subscription received in advance as at 31.3.2012 was RS 3000.

I. What is the subscription income for the year ended 31.3.2013?

II. What is the subscription amount in arrears as at 31.3.2013?

42. A purchase invoice amounting to Rs 40000 has been recorded as Rs 4000 in to sales journal. Provide the journal entries to rectify the above errors.

43. A company use petty cash imprest system to record the petty cash transactions. Following information has been extracted from the books of the company.

Petty cash balance as at 31.7.2016 Rs 500

Petty cash payments during the month of July RS 2500

Petty cash payments made during the month of August Rs 2200

Main cashier reimburse the petty cash imprest at the beginning of each month.

- I. What is the petty cash imprest?
- II. What is the balance of petty cash book as at 31.8.2016?

44. Following information has been provide by Asefa's business for the year ended 31.3.2015

Decrease in creditors Rs 40000

Purchases returns Rs 5000

Discount received Rs 10000

Paid to creditors Rs 185000

50% of the total purchases of this business is on credit basis. What is the value of total goods purchased for the year ended 31.3.2015 ?

45. Following errors have been revealed by a company.

- Sales invoice amounting to RS 2000 has been completely omitted from the books.
- Land revaluation gain arose in the first revaluation of the land Rs 50000 has been recorded as RS 5000.

Sate the effect of above errors to the items given below

- I. Net profit for the period
- II. Total comprehensive income

46. Heshan Ltd issued 10000 ordinary shares at Rs 15 per share. The company received applications for 20000 shares. The shares were allotted among the all applicants based on prorata basis. The company spent Rs 20000 on the issue of shares. What is the change in net assets of the company in relation to issue of shares?

47. What is the effect of ignoring the going concern concept when preparing the financial statements?

48. State whether each of the following situation would increase, decrease or not change the equity of a company

- A. A right issue of shares
- B. Revaluation value of an asset has been less than the carrying value of that asset.
- C. Payment of interim dividend
- D. Capitalization of the reserves

49. State two criteria's required to satisfy to recognize property plant and equipment in the financial statements according to LKAS 16.

50. State the relevant accounting concept applicable in each situation relating to a garment factory.

- A. Fabric is classify as current asset and machinery is classify as Non current assets
- B. Cost of garments sold was considered as a cost while the remaining garments are considered as an asset
- C. Garments sold on credit basis are considered as sales income although they were sold on credit
- D. Sales income is recognized at the time of selling the garments all though the garments were sold on credit.

Item Accounting concept

- A
- B
- C

25-11-2016

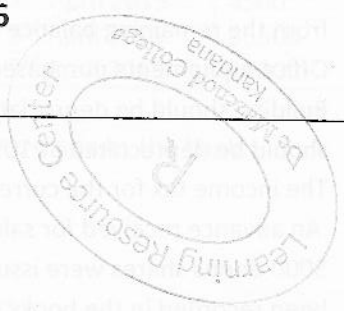


De Mazenod College –Kandana

Accounting II- Grade 13

Term Test -December 2016

3hours



Answer six questions only, including question No. one and two.

Question 01

The trial balance of Maithree PLC as at 31.3.2014 is given below.

Description	Dr(Rs'000)	Cr(Rs''000)
Land at cost	8000	
Building at cost	6000	
Office equipment at cost	1000	
Stated ordinary share capital		6000
Stated preference share capital		2000
Stock as at 1.4.2013	1100	
Sales		20000
Purchases	6000	
Directors' remuneration	200	
Discount received		10
Provision for doubtful debt as at 1.4.2013		90
Trade receivables	630	
Trade payables		1000
Audit charges	100	
Distribution expenses	200	
Insurance on building	120	
Provision for depreciation as at 1.4.2013		
-Building		800
-office equipment		400
Three months treasury bills	100	
Income tax paid	440	
Interim dividend paid		
-Ordinary shares	300	
-Preference shares	430	
Revaluation reserve as at 1.4.2013		600
General reserve as at 1.4.2013		200
Retained earnings as at 1.4.2013		500
Cash and bank	6980	
	31600	31600

Additional information

1. Cost of the inventory was Rs 1200000 as at 31.3.2014. The expected selling price is Rs 1300000 and the expected selling expense is Rs 200000.
2. Interest receivable on treasury bills Rs 8000
3. Rs 30000 should be written off as bad debt from accounts receivables. A 10% provision should be made from the remaining balance of trade receivables.
4. Office equipments purchased on 1.10.2013 has been recorded in the books.
5. Building should be depreciated annually at 10% per annum on straight line basis and office equipment should be depreciated at 10% per annum on reducing balance basis.
6. The income tax for the current year is estimated as Rs460.
7. An advance received for sales Rs100000 is included in the sales income.
8. 5000 bonus shares were issued at Rs 10 per share by capitalizing the revaluation reserve. But it has not been recorded in the books.
9. Company revalued its land for Rs 9000000 on 1.4.2013 for the first time, but it has not been recorded in the books.
10. Rs 100000 worth of stock has been destroyed by fire during the year. The insurance company agreed to pay 75% of the loss. No entries made regarding this incident.
11. Insurance premium paid for the year ended 30.9.15. Rs 60000 is included in the Insurance expense account.
12. The board of directors have proposed the followings on 31.3.2014
 - To transfer Rs 50000 from the retained earnings to general reserve.
 - To pay the remaining dividend of Rs 2000 to preference shareholders and Rs 4 dividend to ordinary share holders.

Required

1. Statement of Profit or Loss and Other Comprehensive Income for the year ending 31.3.2014
2. Statement of changes in equity for the year ending 31.3.2014
3. Statement of financial position as at 31.3.2014
4. Notes to the accounts.

5. Transactions relating to cash receipts and payments for the year ended 31.3.2015 are given below.

Cash receipts	Rs'000
Amount brought by Sanjeewa as capital	1500
Receipts from debtors	1800
Cash sales	<u>300</u>
	<u>3600</u>
Cash payments	
Paid to creditors	700
Cash purchases	200
Drawings- Avishka	400
-Sanjeewa	150
Purchase of property plant and Equipment	80
Paid personal electricity bill of Avishka	1000
Interest paid to Jeevan	<u>40</u>
	<u>2670</u>

Following balances were available as at 31.3.2015

	('000)
Property Plant and equipment at carrying value	4640
Inventory	250
Trade debtors	360
Trade creditors	280
Accrued operating expenses	60

Required

1. Income statement of the partnership of Avishka and Sanjeewa (including appropriations) for the year ending 31.3.2015
2. Partners' capital and current accounts for the year ended 31.3.2015

Question 03

The balances of Ashen Traders as at 1.3.2014 are given below.

Assets	Rs'000	Rs'000
Office equipment	360	
Provision for depreciation	(120)	240
Stock		140
Trade debtors		150
Cash		80
Liabilities		
Trade creditors		60

The following transactions and events took place during the month of March 2014.

Question 04

- (a) The following information has been extracted from the creditors ledger of a company for the month of May 2014. (All figures in Rs'000)

Creditor	Balance as at 1.5.2014	Credit purchases	Return outwards	Cash paid	Discounts received	Balance as at 31.5.2014
Sagara	80	700	20	600	50	110
Akila	100	500	-	400	20	180
Dananjaya	120	600	30	500	60	130
Saroja	-	800	100	-	-	700
	300	2600	150	1500	130	1120

The balance of creditor control account and the total balances of the debtors ledger did not agree on 31.5.2014. The subsequent investigation revealed the following errors.

- (i) Credit purchases from Dananjaya Rs 210000 has been recorded in the creditors ledger as Rs 120000.
- (ii) Discount received has not been recorded in the control account but it has been correctly recorded in the discount received account.
- (iii) A motor vehicle purchased on lease was Rs 800000 and the down payment made was Rs 200000. The rest of the amount due on lease has been posted to the creditor control account.
- (iv) The debit side of the creditor control account has been overstated by Rs 10000.
- (v) Rs 100000 paid to Akila has not been recorded in to his account in the purchases ledger.

Required

1. Statement of reconciliation of balances of creditors ledger and creditor control account as at 31.5.2014. (before rectifying the errors)
2. The adjusted balance of creditor control account as at 31.5.2014
3. Corrected debtor list total balance as at 31.5.2014.
4. Journal entries to rectify the errors (ii) and (iv) above. (Narration is required)

- (b) Following are some items recorded in a debtors control account

Debtors control account

1. Balance b/f	Xxx	8. Bal b/f	Xxx
2. Sales	Xxx	9. Cash received from customers	Xxx
3. Dishonored cheques	Xxx	10. Discount allowed	Xxx
4. Cash paid to debtors	Xxx	11. Return inwards	Xxx
5. Discount allowed cancelled	Xxx	12. Bad debt	Xxx
6. Interest on late payments	Xxx	13. Transferred to creditors ledger	Xxx
	Xxx		Xxx
7. Balance c/d	xxx	Balance c/d	xxx

Required

State the relevant source (prime entry book or any other source) related to above items No 1 to 13.

Question 05

(a) Bank account of a business showed a credit balance of RS 21500 as at 31.3.2015. It was not agreed to the bank statement balance as at this date. The subsequent investigation revealed the following.

1. The following deposits have been realized as follows

Cheque No	Deposited date	Realized date	Amount (Rs)
043250	30 th March 2015	2 nd April 2015	4500
215412	31 st March 2015	3 rd April 2015	35500
721210	31 st March 2015	3 rd April 2015	16000

2. As per the standing order the following payments were made by the bank.

Cheque book charges Rs400

Interest on overdraft balance Rs180

Bank charges Rs450

3. The following cheques have been paid to the creditors

Cheque No	Date of issue	Payment made by the bank	Amount (Rs)
010253	26 th March 2015	10 th April 2015	15000
010262	31 st March 2015	4 th April 2015	16500
010284	31 st March 2015	4 th April 2015	21500

4. The business has informed the bank to stop the payment of Rs 12000 issued to a creditor on 20.3.2015. The adjustments relating to this transaction has been adjusted in the bank account of the business, but the bank has made the payment to the creditor.

5. A cheque issued on 15.3.2015 for Rs 8900 has been recorded in the bank account of the business as Rs 9800.

6. The credit transfers directly to the bank by the debtors Rs 40300.

Required

1. Bank account balance as at 31.3.2015.

2. Bank reconciliation statement for the month of March 2015.

(b) Debit side of the trial balance prepared as at 31.3.2013 was not agreed to the total of credit side of Rangana PLC. The company use Debtors and creditors accounts in the general ledger. The following errors and omissions were later discovered.

(i) Bad debt written off Rs 5000 has been debited to the bad debt account and credited to the creditor control account.

(ii) Return inwards amounting to Rs7000 has been recorded as return outwards.

(iii) Motor vehicle maintenance expense incurred Rs 3000 has been debited to motor vehicle account as Rs 30000. Depreciation has not been calculated on this amount.

(iv) Stock at stores as at 31.3.2013 has been destroyed by fire .The cost of this stock was Rs80000. The insurance company agreed to pay Rs 60000 to the company. No entries made relating to this event.

(v) Rs 180000 has been paid during the year as bank loan installment. it has been debited to bank loan account and credited to the cash account. The interest included in this installment was Rs 56000.

Required

1. Journal entries to rectify above errors

Question 06

(a) Following information is relating to Gamage manufacturing business for the year ended 31.3.2014.

	(Rs'000)
Stock as at 1.4.2013	
Raw material	60
Work in progress	30
Finished goods	100
Purchases –Raw material	1500
- Finished goods	600
Electricity	400
Direct wages	800
Factory supervisor's salary	200
Rent on building	200
Machinery at cost	1000
Factory maintenance expense	220
Administration salaries	220
Other administration expenses	160
Selling and distributional expenses	90
Office equipment at cost	400
Stock as at 31.3.2014- Raw material	80
-Work in progress	70
-Finished goods	130

Additional information

1. Working progress is valued at the prime cost.
2. The business purchase finished goods from the outside suppliers for resale purpose as per the requirements of the business
3. The net realizable value of finished goods as at 31.3.2014 was Rs 120000.
4. Electricity and Rent should be apportioned $\frac{3}{4}$ th and $\frac{1}{4}$ th respectively among factory and office.
5. Property plant and equipment should be depreciated on straight line basis using the following rates.
Machinery – 20% per annum, Office equipment -10 % per annum
Machinery is used only in production works.
6. The gross profit ratio is 25% on the sales price.

Required

1. Statement of manufacturing cost for the year ended 31.3.2014
2. Income statement for the year ended 31.3.2014.

(b) The following information is related to property plant and equipment of Kamalan PLC as at 1.4.2014.

Asset	Depreciable value (Rs'000)	Carrying value (Rs'000)	Scrap value (Rs'000)	Expected useful life(years)
Land	1000	1000	-	Unlimited
Building	1800	1100	200	40
Motor vehicle	1400	940	100	5
Office equipment	850	720	50	5

The following transactions /events took place during the year ending 31.3.2015 relating to these assets.

1. Land was revalued at Rs 1200000 on 1.4.2014.
2. Buildings were renovated incurring Rs 400000. As a result the remaining useful life of the building was reestimated as 25 years. Residual value remains unchanged.
3. New motor vehicle was acquired for Rs on 31.3.2015 by exchanging the existing motor vehicle and paying in addition a cash amount of Rs 1000000.
4. Purchased office equipment for Rs 500000 on 1.10.2014. The expected useful life of office equipment is estimated as 5 years.
5. The company depreciates property plant and equipment on straight line basis.

Required

1. Depreciation on property plant and equipment for the year ended 31.3.2015
2. Profit or loss on disposal of motor vehicle
3. Notes relating to property plant and equipment to be included in the financial statements for publication.

Question 07

Following assets and liabilities as at 31.3.2015 are relating to "Dilena Tharu" Sports club.

	(Rs'000)	(Rs''000)
Non current assets		
Gymnasium	500	
Exercise machines	800	1300
Current assets		
Subscription in arrears	50	
Bank balance	125	
Cash	40	215
Non current liabilities		
Lifetime subscription fund	500	
Exercise machines fund	300	800
Current liabilities		
Subscription received in advance	125	
Amount received in advance for exercise programs	40	165

