

Incomplete Records

AAT Level II

AFC - Advanced Financial Accounting & Costing

INCOMPLETE RECORDS

WHAT ARE INCOMPLETE RECORDS

- Double entry is very important to keep records of transactions formally and accurately.
- Failure to follow a double-entry system and failure to maintain records of transactions formally **is an incomplete entry system**.
- Because of the failure to maintain a formal recording system of business transactions, various problems can arise.
- Decision makers have to face various problems and difficulties because of such an informal entry system.
- An accounting system **contrary to double entry system** is incomplete records.
- Keeping only one of the double entries of a transaction is known as **“The single-entry system”**.

REASONS FOR KEEPING INCOMPLETE RECORDS

1. Unawareness of the double entry system.
2. Keeping double entries is too expensive.
3. Double entry accounting system has not been made compulsory.
4. Intention of deception.
5. Negligence.

DISADVANTAGES OF MAINTAINING INCOMPLETE RECORDS

- Impossibility of knowing the accurate operational outcome.
- Impossibility of being accurately aware of the financial position.
- Inability of accurate decision making due to lack of correct information.

CALCULATING THE FINANCIAL OUTCOMES BY COMPARING THE NET ASSETS

- Owner’s equity as at a particular date is the net assets of the business.
- Net assets can be computed as follows.

$$\text{Net assets} = \text{Closing net assets} - \text{opening net assets}$$

- In order to compute the net assets a statement of affairs can be used.
- The profit in connection with the net assets can be calculated as follows.

$$\text{Net profit} = (\text{Closing net assets} - \text{Opening net assets}) + \text{Drawings} - \text{Additional capital}$$

MARK-UP & MARGIN

COST	+ PROFIT	= SALES
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Profit Calculation – AAT I Past Papers

2019 Jul – Question 01

1.12 The following information was extracted from the books of **Super Traders** for the year ended 31st March 2019:

	Rs.
Total assets as at 31 st March 2019	950,000
Capital as at 01 st April 2018	400,000
Profit for the year	150,000
Additional capital introduced during the year	100,000
Drawings made during the year	75,000

Based on the above information, calculate the total liabilities as at 31st March 2019. (03 marks)

2019 Jan – Question 01

1.6 The following information was extracted from the books of **Moon Lanka Traders** for the year ended 31st March 2018:

Description	Rs.
Capital as at 01 st April 2017	750,000
Additional capital introduced during the year	50,000
Liabilities as at 31 st March 2018	75,000
Total assets as at 31 st March 2018	987,000

Based on the above information, profit for the year ended 31st March 2018 would be:

- (1) Rs.112,000/- (2) Rs.237,000/- (3) Rs.187,000/- (4) Rs.162,000/-

2018 Jul – Question 01

1.11 The following information was extracted from the books of **Rose Traders** for the year ended 31st March 2018:

Description	Rs.
Capital as at 01 st April 2017	500,000
Profit for the year ended 31 st March 2018	175,000
Liabilities as at 31 st March 2018	425,000
Drawings during the year	25,000

Based on the above information,

Calculate the value of total assets as at 31st March 2018 of **Rose Traders**. (03 marks)

2018 Jan – Question 01

1.5 The following information was extracted from the books of **Saman Traders** for the year ended 31st March 2017:

Description	Rs.
Capital as at 01 st April 2016	550,000
Profit for the year ended 31 st March 2017	155,000
Drawings during the year	350,000
Additional capital introduced during the year	200,000
Liabilities as at 31 st March 2017	300,000

Based on the above information, the value of total assets as at 31st March 2017 of **Saman Traders** is:

- (1) Rs.1,155,000/- (2) Rs.705,000/- (3) Rs.1,555,000/- (4) Rs.855,000/-

1.13 The following information was extracted from the books of **Piyal Opticals** for the year ended 31st December 2017:

	Rs.
Net assets as at 01 st January 2017	525,000
Net assets as at 31 st December 2017	850,000
Drawings by the owner during the year	150,000
Additional capital introduced during the year	250,000

Calculate the Net Profit of **Piyal Opticals** for the year ended 31st December 2017, using the "Profit Equation". (03 marks)

2017 Jul – Question 01

1.2 The following information were extracted from the books of **Kapila Motors** for the year ended 31st March 2017:

Description	Rs.
Net assets as at 01.04.2016	325,000
Net assets as at 31.03.2017	385,000
Drawings during the year	35,000
Additional capital introduced during the year	10,000

Based on the above information, the net profit / (loss) for the year ended 31st March 2017 would be:

- (1) (Rs.105,000) (2) (Rs.35,000) (3) Rs.85,000/- (4) Rs.15,000/- (02 marks)

2017 Jan – Question 01

1.5 The following information were extracted from the books of **ABC Enterprise** which is a sole proprietorship:

Description	Rs.
Capital as at 01 st April 2015	200,000
Drawings during the year	120,000
Profit for the year ended 31 st March 2016	145,000
Liabilities as at 31 st March 2016	80,000

Based on the above information, total assets as at 31st March 2016 would be:

- (1) Rs.305,000/- (2) Rs.545,000/- (3) Rs.345,000/- (4) Rs. 225,000/-

A/L Past Papers

2016 Part-01 Q: 32

1. Vishwa started a trading business on 01.01.2016 investing Rs.1 000 000 as capital. He spent 90% of this amount to purchase goods and sold them with a 30% mark up on cost. The net assets of the business as at 31.03.2016 were Rs.1 200 000. There was no additional capital introduced or drawings made during the period.

Calculate the followings for the period ending 31.03.2016.

- a) Profit Rs.....

- b) Operating Expenses Rs.....

2015 Part-01 Q: 32

2. Sumudu has commenced a business on 01.04.2014 investing Rs.500 000 cash. During the year, Sumudu provided a Rs.200 000 worth photocopier for the business and withdrew Rs.50 000 from the business as drawings. The business earned a profit of Rs.120 000 during the year ending 31.03.2015.

a) State two items (with values) that contribute to increase in equity of the business as at 31.03.2015.

- I.

- II.

b) What is the net assets of the business as at 31.03.2015?
Rs.

2013 Part-01 Q: 14

3. The entire inventory of a company held at 31.03.2013 was destroyed due to floods. The following information is provided for the year ending 31.03.2013. It is the policy of the company to sell goods keeping a mark- up of 20% on cost.

	Rs.000'
Inventory as at 01.04.2012	1 500
Purchases	3 500
Purchase Return	500
Sales	4 800
Selling Expenses	600

What is the value of inventory destroyed as at 31.03.2013?

- (1) Rs.500 000
- (2) Rs.660 000
- (3) Rs.750 000
- (4) Rs.1 160 000
- (5) Rs.1 500 000

2012 Part-01 Q: 32

4. During the year the assets of a sole trader increased by Rs.400 000 and the liabilities increased by Rs.50 000. If the profit for this year was Rs.250 000, how much additional capital was introduced by the owner?

2012 Part-01 Q: 39

5. Amal Traders lost its entire inventory as at 31.03.2012 due to a fire. The information available on that day is as follows:

Inventory as at 01.04.2011	Rs. 200 000
Purchases during the year	Rs. 1 500 000
Sales for the year	Rs. 2 000 000

The firm's gross profit margin on sales is 20%

- a) What is the value of inventory destroyed due to fire?

.....

- b) What is the net impact on total assets of the company as at 31.03.2012, if an insurance company agreed to indemnify 80% of the value of the inventory?

.....

2010 Part-01 Q: 08

6. What was the profit earned for the year ended 31.03.2010 based on the following information of a sole proprietorship?

Equity as at 01.04.2009 was Rs.500 000.

Total assets and total liabilities as at 31.03.2010 were Rs.800 000 and Rs.200,000 respectively. Drawings during the year were Rs.30 000.

- (1) Rs.100 000
- (2) Rs.130 000
- (3) Rs.160 000
- (4) Rs.500 000
- (5) Rs.600 000

2009 Part-01 Q: 08

7. The following information relates to Amila Traders:

	As at 31.12.2018	As at 01.01.2018
	Rs.	Rs.
Total Assets	750 000	500 000
Total Liabilities	350 000	200 000

Drawings made by the owner during the year were Rs.40 000.

Assets as at 31.12.2018 include stocks costing Rs.50 000 which were sold but undelivered to customers.

The net profit or loss of Amila Traders for the year ended 31.12.2018 was.

- (1) Rs.50 000
- (2) Rs.60 000
- (3) Rs.90 000
- (4) Rs.100 000
- (5) Rs.140 000

2009 Part-01 Q: 27

8. A fire took place in the stores of Ravi Traders on 31.03.2009, completely destroyed part of its stocks. The cost of remaining stocks was Rs. 50,000. The following information is also given.

- Cost of stocks on 1st March 2009 was Rs.300 000.
- Sales made during March 2009 were Rs.150 000.

- Gross profit on cost of sales is 25%.

- No purchases were made during this period.

Calculate the cost of stocks destroyed.

.....

2008 Part-01 Q: 15

9. The Colombo sportswear company lost the entire stock as at 31.03.2008 due to a fire. The following information was available on that date.

Stocks as at 01.04.2007	Rs. 100 000
Purchases for the year	Rs. 600 000
Sales for the year	Rs. 1 000 000

The firm's gross profit margin on sales is 45%.

What is the value of stocks lost due to the fire?

- (1) Rs. 150 000
- (2) Rs. 200 000
- (3) Rs. 250 000
- (4) Rs. 300 000
- (5) Rs. 350 000

AAT - Past Papers

1. 2020 JUL AAT II Q6



Annie is employed as a secretary of a company. While she was lockdown at home due to COVID-19 situation of the country, she started a business "**Online Foods by Annie**" on 01st April 2020 for baking cakes and delivering to customers investing Rs.100,000/-. **Annie** uses cheques for all the payments and she recorded all the cash payments and receipts in the cash book. **Annie's** Cash Book for the three months ended 30th June 2020 is as follows:

Online Foods by Annie
Cash Book

Date	Description	Cheque No.	Receipts (Rs.)	Payments (Rs.)
01.04.2020	Deposit - Annie's capital investment		100,000	-
01.04.2020	Rent (3 months' office rent)	637131		31,500
01.04.2020	Payment for direct raw material (Flour, Sugar and Butter)	637132		36,000
01.04.2020	Payment for other direct raw materials	637133		5,600
01.04.2020	Purchase of equipment	637134		50,000
15.04.2020	Cash deposit - Sales		13,000	
30.04.2020	Cash deposit - Sales		14,000	
30.04.2020	Bank charges			1,500
30.04.2020	Advertising	637135		3,500
30.04.2020	Monthly delivery charges	637136		7,500
30.04.2020	Payment for other direct raw materials	637137		4,500
15.05.2020	Cash deposit - Sales		7,000	
31.05.2020	Cash deposit - Sales		14,000	
31.05.2020	Payment for other direct raw materials	637138		12,600
31.05.2020	Monthly delivery charges	637139		7,500
15.06.2020	Cash deposit - Sales		17,950	
24.06.2020	Payment for direct raw materials (Flour and Sugar)	637140		13,750
29.06.2020	Cash deposit - Sales		20,500	
29.06.2020	Monthly delivery charges	637141		7,500
30.06.2020	Balance C/F			5,000
			186,450	186,450
01.07.2020	Balance B/F		5,000	

You are given the following further information:

- (1) As at 30th June 2020, the cost of raw material stock was Rs.6,750/- and there was no stock of finished goods.
- (2) Water bills of Rs.1,350/- and electricity bills of Rs.7,200/- were received on 01st July 2020 for the period from April to June 2020 and those were paid during the month of July 2020.
- (3) **Annie** obtained Rs.6,200/- out of cash collection on sales without banking, for her personal expenses during these three months.
- (4) Rs.7,800/- was collected from sales on 30th June 2020, however, it was deposited to the bank on 01st July 2020.
- (5) Useful life of the equipment is 2 years and equipment is depreciated on the straight-line basis at cost.
- (6) All purchases and sales are made on cash basis.

You are required to:

Prepare the Trial Balance of "Online Foods by Annie**" as at 30th June 2020.**

(10 marks)

2. 2020 JAN AAT II Q9

The following information was extracted from the books of **Pavani Traders** a sole proprietorship:

- (1) Assets and liabilities are as follows: (Rs.'000)

	As at 01 st April 2018	As at 31 st March 2019
Land and Buildings at carrying value	7,500	7,200
Motor vehicles at carrying value	10,500	11,100
Inventory	3,750	3,600
Trade Debtors	4,200	4,050
Insurance Prepaid	750	900
Bank Balance	1,950	?
Trade Creditors	2,400	2,025
Accrued Electricity	330	255

- (2) **Pavani** does not keep proper books of accounts and bank statements from 01st April 2018 to 31st March 2019 are summarized as follows:

Receipts	Rs.
Cash Sales	5,250,000
Receipts from trade debtors	3,750,000
Payments:	
Payments to trade creditors	1,875,000
Cash purchases	2,250,000
Purchase of a new motor vehicle	1,500,000
Insurance	375,000
Electricity	420,000
Wages	2,100,000
Other expenses	495,000

- (3) **Pavani** had deposited all cash receipts into the bank account and all the payments are made through cheques.

You are required to:

Prepare Trial Balance as at 31st March 2019 for **Pavani Traders**.

(10 marks)

Risky Electricals is a sole proprietorship. Accounts Assistant of business has prepared the Income Statement and arrived a net profit of Rs.1,783,000/- for the year ended 31st March 2019:

(1) Balances as at 31st March 2019 appeared in the books of accounts of the business are as follows:

	Dr. (Rs.)	Cr. (Rs.)
Land and Buildings - Cost	3,500,000	
Motor Vehicle - Cost	2,900,000	
Accumulated depreciation:		
Buildings		875,000
Motor Vehicle		1,450,000
Inventories at cost	1,575,000	
Trade Receivables	575,000	
Cash at Bank	63,500	
Trade Payables		876,000
Capital as at 01 st April 2018		4,100,000
Drawings by owner	470,500	
Net profit for the year		1,783,000
	9,084,000	9,084,000

(2) You are given the following additional information which were not recorded in the books of accounts:

- One of the debtors, who owed Rs.75,000/- to the business was bankrupt. Thus the amount receivable became irrecoverable. Further, it was decided to maintain an allowance for trade receivables at 2% of the balance trade receivable balance at the end of the year.
- **Senarath**, the owner of the business has decided to transfer his personal van value of Rs.1,400,000/- to the business on 31st March 2019 for delivery purpose as an additional capital.

You are required to:

Prepare the Statement of Financial Position of Risky Electricals as at 31st March 2019. (10 marks)

Assistant Accountant of **Suvmali Fashions**, has prepared the income statement for the year ended 31st March 2018, and arrived at a net profit of Rs.1,783,000/- for the year.

(1) Balances that appeared in the ledger accounts as at 31st March 2018 were as follows:

	As at 31 st March 2018 (Rs.)
Motor Vehicles at cost	4,900,000
Office Equipment at cost	550,000
Accumulated Depreciation:	
Motor Vehicles	2,450,000
Office Equipment	137,500
Inventories at Cost	165,000
Trade Receivables	420,000
Prepayments	11,500
Cash in hand and at Bank	125,000
Trade Payables	720,000
Accrued Expenses	65,000
Capital as at 01 st April 2017	1,190,000
Proprietor's Drawings	174,000

You are given the following additional information:

- (2) Closing inventory which was valued at cost as at 31st March 2018 was taken into the books of accounts when preparing the income statement. However, Net Realizable Value (NRV) of the inventories was Rs.150,000/-.
- (3) A motor vehicle, which was acquired for Rs.2,000,000/- on 01st April 2016 was sold on 31st March 2018 for Rs.1,300,000/- accepting a cheque dated 10th April 2018. No entries have been made in the books of accounts in this regard. Motor vehicles are depreciated at 25% per annum on the straight-line basis at cost.

You are required to:

Prepare the Statement of Financial Position of **Suvmali Fashions** as at 31st March 2018. (10 marks)

Fatty Collection is a farm shop owned and run by **Mr. Perera**, who is not maintaining proper books of accounts.

The following information was extracted from the records of **Fatty Collection**:

- (1) Assets and liabilities of the business are as follows:

(Rs.'000)

	As at 01 st April 2017	As at 31 st March 2018
Land and Building at carrying value	15,000	13,000
Motor Vehicles at carrying value	7,000	9,000
Inventory at cost	5,000	7,000
Bank Balances	6,000	?
Trade Receivables	6,000	7,000
Trade Payables	7,000	9,000
Accrued Electricity	500	750

- (2) On 01st October 2017, a motor vehicle was purchased at a cost of Rs.5,000,000/- for use of the business. Other than that there were no additions or disposal of Property, Plant and Equipment during the year.
- (3) He withdrew Rs.1,000,000/- for his personal use during the year from the business's bank account.
- (4) Other Bank Payments made during the year were as follows:

	Rs.'000
Payments to trade payables	45,000
Repair and maintenance	500
Electricity	1,500
Salaries	5,000

- (5) All purchases and sales are on credit basis.
- (6) On all sales, **Mr.Perera** keeps a gross profit of 50% on cost.
- (7) All the transactions are made through the business bank account.

You are required to:

Prepare the Trial Balance of **Fatty Collection** as at 31st March 2018.

(10 marks)

The following information was extracted from **Gami Collections**, a sole proprietorship for the year ended 31st March 2017:

- (1) Assets and Liabilities of the business are as follows:

	As at 01 st April 2016 (Rs.)	As at 31 st March 2017 (Rs.)
Office equipment (at carrying value)	550,000	495,000
Inventory	192,000	180,000
Cash in Hand	230,000	?
Cash at Bank	300,000	?
Trade payables	160,000	282,000
Accrued electricity	-	3,000

- (2) All sales are made on cash basis keeping a gross profit of 50% on cost.
 (3) During the year ended 31st March 2017 an amount of Rs.456,000/- has been deposited in the bank account out of cash sales.
 (4) The following payments were made by cheques during the year:

	Rs.
Trade Payables	190,000
Electricity	13,000
Other expenses	55,000

- (5) In addition to the above, the following payments were made by cash:

	Rs.
Trade Payables	168,000
Wages	90,000
Drawings	10,000

- (6) All purchases were made on credit basis.

You are required to:

Prepare the Trial Balance of Gami Collections as at 31st March 2017.

(10 marks)

The following information was extracted from the books of **Amali Traders**, a sole proprietorship:

- (1) Assets and liabilities of the business are as follows:

(Rs.'000)

	As at 01 st April 2016	As at 31 st March 2017
Land and Building (at carrying value)	5,000	4,800
Motor Vehicles (at carrying value)	7,000	7,400
Inventory	2,500	2,400
Trade Receivables	2,800	2,700
Cash at Bank	1,300	?
Trade Payables	1,600	1,350
Accrued Electricity	220	170

- (2) **Amali** does not keep proper books of accounts for her business, **Amali Traders**. She has analyzed the bank statements of the business from 01st April 2016 to 31st March 2017 and summarized the transactions as follows:

	Rs.'000
Deposits:	
Out of cash sales	3,500
Receipts from trade receivables	2,500
Receipt of a loan	1,000
Payments made by cheques:	
Cash purchases	1,250
Payments to trade payables	1,500
Purchase of a motor vehicle on 31 st March 2017	1,000
Electricity	280
Wages	1,400
Sundry expenses	330

- (3) **Amali** had deposited all cash receipts into the bank account with the exception of taking Rs.25,000/- per month as drawings out of cash sales.
- (4) **Amali** obtained a bank loan of Rs.1,000,000/- on 01st July 2016 at an interest rate of 15% per annum, in which the interest is to be paid monthly. However, no interest has been paid during the year ended 31st March 2017. Repayment of loan will be started from 01st April 2017.

You are required to:

Prepare the Trial Balance of **Amali Traders** as at 31st March 2017.

(10 marks)

8. 2017 JAN AAT II Q8

The following information was extracted from the books of **Rasai Foods**, a catering service business owned by **Rashmi**:

- (1) Assets and liabilities of the business are as follows:

(Rs. '000)

	As at 01 st January 2016	As at 31 st December 2016
Catering Equipment (at Carrying Value)	10,000	14,000
Delivery Van (at Carrying Value)	15,000	13,000
Inventory	3,000	4,000
Cash in hand	7,200	10,250
Trade Payables	6,000	8,000
Trade Receivables	5,000	6,000
8% Loan	-	5,000

- (2) Payments made during the year ended 31st December 2016 were as follows:

	(Rs. '000)
Payments to Creditors for Purchases	26,000
Labour charges	6,150
Electricity and Insurance	3,800

- (3) All the purchases and sales were made on credit basis.
- (4) In deciding of sales prices, **Rasai Foods** keeps a gross profit of 50% on cost.
- (5) **Rasai Foods** purchased some catering equipment costing Rs.5,000,000/- on 01st July 2016, which was financed by a loan which has to be settled in full at the end of the 3rd year. However, the annual interest on the loan is 8% and it is to be paid at the end of each year.
- (6) **Rashmi** withdrew Rs.500,000/- in cash for her personal use during the year.

You are required to:

Prepare the following for **Rasai Foods**, which is a sole proprietorship:

- (a) Statement of Income for the year ended 31st December 2016. (07 marks)
- (b) Statement of Financial Position as at 31st December 2016. (03 marks)
- (Total 10 marks)

9. 2016 JUL AAT II Q9

The following information was extracted from the books of **Prakash Traders**, a wholesale sugar business owned by **Prakash**:

Assets and liabilities of the business are as follows:

	As at 01 st January 2015 (Rs.)	As at 31 st December 2015 (Rs.)
Trade Receivables	2,250,000	1,570,000
Trade Payables	1,220,000	3,100,000
Accrued Expenses	52,000	26,000
Cash at Bank	175,000	?
Inventory	550,000	720,000

The following transactions were extracted from his business during the year 2015:

	Rs.
Purchases	26,690,000
Sales	34,100,000
Other expenses	2,572,000

During the year, **Prakash Traders** has deposited all its collection to the bank account while all the payments have been made by cheques through the bank account.

The following additional information is also provided:

- (1) During the year, bank charges of Rs.3,100/- which was charged by the bank, were not recorded in the books.
- (2) All the sales and purchases are made on credit basis.
- (3) During the year, **Prakash** has introduced an additional capital of Rs.500,000/- to the business and he has withdrawn an amount of Rs.300,000/- in cash as drawings.
- (4) As a policy **Prakash** is not purchasing any of the property, plant and equipment, instead all such assets are hired on rental basis and rental paid was included in other expenses.

You are required to,

Prepare the trial balance as at 31st December 2015 for **Prakash Traders.**

(10 marks)

The following summarized Trial Balances are extracted from the books of **Northern Traders**, a sole proprietorship, after preparing the Comprehensive Income Statements:

Trial Balances

	As at 31 st March 2015 (Rs.)	As at 31 st March 2014 (Rs.)
Office Equipment – at cost	550,000	550,000
Motor Vehicles - at cost	4,900,000	4,900,000
Office Equipment - Accumulated depreciation	(275,000)	(137,500)
Motor Vehicles - Accumulated depreciation	(2,450,000)	(980,000)
Inventories at cost	165,000	105,000
Trade Receivables	860,000	420,000
Cash and Bank	320,000	125,000
Trade Payables	(695,000)	(720,000)
Accruals	(13,000)	(65,000)
Prepayments	12,000	11,500
Capital	(4,209,000)	(2,600,000)
Drawings by owner	860,000	174,000
Profit For The Year	(25,000)	(1,783,000)
	-	-

The following additional information is also provided:

- (1) One of the motor vehicles, purchased for Rs.2,000,000/- and depreciated for two years at the rate of 25% per annum on cost was disposed on 31st March 2015 at a price of Rs.1,300,000/- on credit. However, the bookkeeper has forgotten to record this transaction in the books of accounts.
- (2) After preparing the Comprehensive Income Statement for the year ended 31st March 2015, it was found that though, the cost of an item of inventory is Rs.10,000/- as at 31st March 2015, the Net Realizable Value (NRV) of the same is only Rs.3,500/- on that date.

You are required to:

Prepare the Statement of Financial Position of Northern Traders as at 31st March 2015. (10 marks)

- (a) **State** any four(04) criteria that need to be satisfied for a liability to become a current liability. (02 marks)
- (b) Following information was extracted from the books of **Candy Stores** (a sole proprietorship), for the year ended 31st March 2015:

	31 st March 2015 (Rs.)	01 st April 2014 (Rs.)
Inventory	10,500	9,000
Trade Receivables	40,000	36,000
Revenue	275,000	
Purchases	150,000	
Bank Balance/ (Overdraft)	(3,000)	5,000
Miscellaneous Expenses for the year: [other than salaries, Employees' Provident Fund (EPF) & Employees' Trust Fund (ETF)]	11,300	
Discount Received	3,000	
Discount Allowed	1,500	

The following additional information is also provided:

- (1) It has been decided to write off an amount of Rs.2,000/- as bad debts and provide 5% of the remaining Trade Receivables as allowance for doubtful debts. The above balances have been extracted before adjusting for bad debts and provision for doubtful debts.
- (2) **Candy Stores** has only one employee who is registered for EPF and ETF and is contributing at standard rates. Gross salary paid during the year was Rs.44,500/-.

You are required to:

Prepare Statement of Comprehensive Income for the year ended 31st March 2015. (08 marks)
 (Total 10 marks)

Amal is the owner of a sole proprietorship. The following information was extracted from the books of the **Amal's** business:

- (1) A summary of the cash book for the year ended 31st March 2014 is as follows:

Cash Book

	Dr (Rs.)		Cr (Rs.)
Balance b/d	90,000	Drawings	642,000
Received from customers (debtors)	2,358,000	Payments to creditors	1,038,000
		Van running Expenses	246,000
		Salaries	306,000
		Administration expenses	15,000
		Other expenses	21,000
		Balance c/d	180,000
	2,448,000		2,448,000

- (2) Capital balance as at 01st April 2013 was Rs.669,000/- and other assets and liabilities as at 31st March 2014 and 31st March 2013 were as follows:

	As at 31st March 2014 (Rs.)	As at 31st March 2013 (Rs.)
Assets:		
Motor van at carrying value (at written down value)	300,000	450,000
Trade receivables (Debtors)	225,000	204,000
Liabilities:		
Trade payables (Creditors)	87,000	75,000

- (3) The motor van shown as an asset had been purchased on 01st April 2012 for Rs.600,000/- and depreciation is provided at 25% per annum on the straight-line basis at cost of the van.
- (4) All sales and purchases of the business are made on credit basis. There were no stocks as at 31st March 2013 and 31st March 2014.

Based on the above information, **you are required to prepare**, the trial balance as at 31st March 2014 of **Amal's** business. (14 marks)

Kuda Banda started a business as **Little Mod Traders** on 01st April 2012, investing Rs.300,000/- in cash. On this day he purchased office equipment from "Furniture House" on credit terms amounting to Rs.100,000/- for the use of business. **Little Mod Traders** does not maintain a bank account.

Following transactions were recorded during the month of April 2012:

- (1) Credit purchases for purpose of resale:

Date	Supplier	Value (Rs.)
03.04.2012	Notless Shop	100,000
06.04.2012	Baby needs	200,000
13.04.2012	Notless Shop	100,000

- (2) The value of the goods returned to Notless shop on 10th April 2012 was Rs.30,000/-.

- (3) Value of trade purchases on cash on 16th April 2012 was Rs.75,000/- incurring a transport cost of Rs.5,000/-.

- (4) Credit sales were as follows:

Date	Customer	Value (Rs.)
05.04.2012	Gest Ltd.	250,000
09.04.2012	Worth Company	200,000
20.04.2012	Moon & Brothers	210,000

- (5) Salaries paid to the staff on 25th April 2012 were Rs.150,000/-.

- (6) Cash sales during the month were Rs.60,000/-.

- (7) Payments to suppliers were as follows:

Date	Supplier	Amount paid (Rs.)
22.04.2012	Baby needs	150,000
28.04.2012	Notless Shop	122,000

- (8) Receipts from customers in debt during the month of April 2012 were as follows:

Date	Customer	Amount, Rs.
15.04.2012	Gest Ltd.	150,000
26.04.2012	Worth Company	180,000

- (9) Cost of goods taken by **Kuda Banda** for his personal use on 28th April 2012 was Rs.15,000/-.

- (10) Monthly rental of the building amounting to Rs.20,000/- was paid on 30th April 2012.

- (11) The inventories have been valued at Rs.110,000/- as at 30th April 2012.

- (12) Unpaid telephone & electricity bills for the month of April 2012 were Rs.6,000/- and Rs.8,000/- respectively.

- (13) Depreciation on office equipment is provided on the straight line basis at 12% per annum.

You are required to prepare, for Little Mod Traders:

- (a) Relevant Ledger Accounts and the Trial Balance as at 30th April 2012.
(18 marks)
- (b) Trading, Profit & Loss Account for the month ended 30th April 2012.(08 marks)
(Total 26 marks)

- (A) The following information is extracted from the books of the business of **Silva Traders** as at 31st March 2012. **Silva** is the sole proprietor of the business.

Description	Value (Rs.)
Property, Plant and Equipment (PPE) - at cost 31 st March 2012	3,000,000
Accumulated depreciation of PPE - 31 st March 2012	750,000
Profit for the year ended - 31 st March 2012	1,150,000
Inventory at cost	700,000
Trade payables	600,000
Trade receivables	897,000
Cash in hand	100,000
Bank overdraft	50,000
Bank loan, payable within next 10 months in equal monthly installments	500,000
Capital - 01 st April 2011	2,694,000
Drawings	347,000
Fixed deposit	700,000

The following additional information is also available:

- (1) The profit for the year has been calculated without the following accrued expenses for the month of March 2012:

	Rs.
Telephone expenses	6,000
Interest expenses	3,000

- (2) Rs.30,000/- of Trade receivables are outstanding for more than 10 months. A full provision for this doubtful debt should be provided in the books of accounts.

You are required to prepare, the Statement of Financial Position (Balance Sheet) of **Silva Traders** as at 31st March 2012. (12 Marks)

Raja is the sole proprietor of Raja Traders. He does not maintain proper books of accounts. The following information is available:

(i)	Rs.	
	31 December 2015	31 December 2014
Balances as at		
Non-current assets (book values)	3,780,000	4,284,000
Inventory	980,000	840,000
Trade receivables	840,000	440,000
Trade payables	640,000	550,000
Accrued expenses:		
- Rent	44,000	-
- Telephone	6,300	4,300
- Electricity	1,600	-
Prepayments:		
- Rent	-	20,000
- Insurance	4,100	-

(ii) Summarised bank account for the year 2015

	Rs.		Rs.
Balance as at 1 January 2015	125,000	Purchase of trading stock	139,000
Sales	1,846,000	Payments to suppliers	3,040,000
Receipts from Trade receivables	2,480,000	Rent	188,000
Proceeds from the sale of motor vehicle	648,000	Telephone	32,000
		Electricity	98,400
		Insurance	140,100
		Salary	232,000
		Selling and distribution expenses	260,000
		Purchase of equipment	248,000
		Proprietor's withdrawals	420,000
		Balance as at 31 December 2015	301,500
	5,099,000		5,099,000

(iii) On 31 December 2015, Raja sold a motor vehicle for Rs. 648,000 which he bought for Rs. 2,800,000 on 1 July 2012. The business depreciates motor vehicles at 25% per annum on a straight line basis.

No other non-current asset items, other than those mentioned above, were purchased or sold during the year.

Required:

Prepare the statement of profit or loss of Raja Traders for the year ended 31 December 2015.

(Total: 10 marks)

16. 2015 MAR CAB 1

Aruna, a sole trader, commenced his business on 1 January 2014 by depositing Rs. 500,000 in his bank account. He did not maintain proper books of accounts. A summary of the bank statements for the year ended 31 December 2014 is as follows:

	Rs.		Rs.
Balance as at 1 January 2014	500,000	Purchase of equipment	650,000
Receipts from customers	1,660,000	Payments to suppliers	1,140,000
Cash sales	440,000	Cash purchases	120,000
		Salaries paid	115,000
		Rent paid	55,000
		Cash drawings	72,000
		Other expenses	180,000
		Balance as at 31 December 2014	268,000
	2,600,000		2,600,000

Additional information:

- Equipment was purchased on 1 January 2014. Depreciation is to be provided at 20% per annum on the straight line method.
- Total of trade receivables balances as at 31 December 2014 was Rs. 480,000.
- Aruna achieves a constant margin of 40% on sales.
- Total of trade payables balances as at 31 December 2014 was Rs. 640,000.
- Aruna took away some trading stocks for his personal use but the amount is not known.
- Accrued rent payable as at 31 December 2014 was Rs. 5,000.
- Total discount allowed by the suppliers during the year amounted to Rs. 110,000.
- Closing stock valued at cost amounted to Rs. 410,000.

Required:

1. Calculate the value of goods taken by Aruna for his personal use during the year. (4 marks)
 2. Prepare the income statement for the year ended 31 December 2014. (3 marks)
 3. Prepare the statement of financial position as at 31 December 2014. (3 marks)
- (Total: 10 marks)

17. 2014 MAR CAB 1

Arun Traders (AT) commenced its business on 1.4.2012 by investing Rs. 500,000. The entity did not maintain proper books of accounts based on double entry system. However, the following information for the year ended 31 March 2013 could be traced when AT was trying to prepare financial statements.

- Summary of the Bank Account

Cash Receipts	Rs.
Deposits	1,800,000
Cash Payments	
Expenses	(300,000)
Purchases	(450,000)
Bank charges	(2,500)
Equipment (acquired on 1.4.2012)	(400,000)
Equipment (acquired on 1.10.2012)	(200,000)
Balance as at 31.3.2013	447,500

- There were no unpresented cheques or unrealized cheques as at 31.3.2013
- The only revenue is the collection from sales. All collections and capital invested were deposited at the bank except the following:
 - Cash taken by the owner - Rs. 25,000
 - Donations made to a charity - Rs. 10,000
 - Cash payment to suppliers - Rs. 35,000
 - Amount retained for petty cash - Rs. 50,000
- Assets and Liabilities at the year-end other than those arising from other information given elsewhere were as follows.

	Rs.
Petty Cash	2,500
Debtors	130,000
Inventories	15,000
Utility Bills Payable	75,000
Creditors	95,000

- Motor Vehicles and Equipment are depreciated at 20% and 10% per annum respectively on cost.
- Goods purchased on 30.3.2013 for Rs. 45,000 had not arrived to the premises at the time of stock count and accordingly the inventory balance does not include this amount.
- Some motor vehicles of the owner were handed over to the business on 1.4.2012. The market value of those vehicles was Rs. 700,000.

Required

1. Income Statement of Arun Traders for the year ended 31 March 2013 (7 marks)
2. Statement of Financial Position of Arun Traders as at 31 March 2013 (5 marks)

18. 2013 SEP CAB 1

Kamal a sole trader keeps his books on the single entry system. He has submitted his accounts to the Department of Inland Revenue, showing a net profit for the year ended 31 March 2013.

The Department of Inland Revenue is not satisfied with the accounts submitted by Kamal. Therefore, Kamal requests your assistance to compute correct net profit for the year.

The following information is given.

- 1) Kamal has started the business on 1 January 2012 with an initial capital of Rs. 1,500,000.
- 2) During the year Rs. 290,000 worth of cash and Rs. 50,000 (at cost) worth of Goods have been withdrawn by the proprietor from the business.
- 3) The sale proceeds of his personal motor car amounting to Rs. 500,000 have been introduced to the business during the year.
- 4) He has purchased a motor bicycle in December 2012 for his personal use (recorded in the entity's books) and paid a sum of Rs. 10,000 as a premium of his personal life insurance using business cash in January 2013.
- 5) Assets and liabilities of the business as at 31 March 2013 are given below.

	Rs. '000	
	31.03.2013	31.03.2012
Building	5,265	5,850
Furniture	3,542	3,990
Motor Bicycle	250	-
Inventories	1,750	1,300
Trade Debtors	?	8,200
Trade Creditors	7,600	9,100
Cash in Hand	1,745	2,400
Prepaid Other Expenses	160	240
Accrued Other Expenses	380	430

- 6) Cash receipt and payments made during the year ending 31 March 2013

	Rs. '000
Other Expenses paid	2,800
Salaries paid	1,200
Collection from Debtors (after deducting a 2% discount)	16,660
Payments to Creditors (after deducting a 3% discount)	18,915
Purchases of Furniture	350

- 7) All purchases are made on credit
- 8) Gross profit margin on sales is 30%

Required,

- (a) Calculate the adjusted net profit for the year ended 31 March 2013. (6 marks)
 - (b) Prepare the revised cash book for the year ended 31 March 2013. (6 marks)
 - (c) Prepare the Statement of Financial Position as at 31 March 2013 (3 marks)
- (Total 15 marks)**

19. 2012 SEP CAB 1

"Crystal Enterprise" engages in retail and wholesale trading of Glass Products. Mr. Vidura is the owner of the business and had the following assets and liabilities as per the balance sheet as at 31 March 2012.

	Rs.
Buildings at Net Book Value (Show Room and Office)	3,300,000
Motor Vehicles at Net Book Value	2,700,000
Inventories - Glass Products as at 31 March 2012	1,470,000
Account receivable	
Amal Enterprises	600,000
Bimal Traders	525,000
Cyril's House	451,000
Provision for bad and doubtful debts as at 31 March 2012	15,760
Cash in hand	105,000
Cash at bank (overdraft)	497,500
Account payables	
Gayan Manufactures	427,500
Asoka Glass Products	501,000
Silicon Producers	326,500

The following transactions took place during the month of April 2012

- (i) A delivery van purchased by Vidura for Rs. 2,500,000 has been introduced to the business.
- (ii) Cash sales at the showroom of Rs. 1,250,000 (Rs. 650,000 was deposited in the bank).
- (iii) Cash purchase (through cheques) of Glass Products of Rs. 1,190,000.
- (iv) The owner has paid his child's school fee of Rs. 45,000 by a cheque of the business.
- (v) Administrative Expenses of Rs. 380,000 and Selling Expenses of Rs. 260,000 were paid.

- (vi) The following are the summarised information relating to credit sales and other transactions. Amounts received from debtors were in cheques.

Customers	Transactions			
	Credit Sales (Rs.)	Return Inward (Rs.)	Amount Received in April (Rs.)	Discount (Rs.)
Amal Enterprises	400,000	10,000	980,000	10,000
Bimal Traders	160,000	4,000	476,000	5,000
Ciril's House	530,000	15,500	610,000	8,500
Super Chance Traders	210,000	10,500	50,000	-

- (vii) The following are the summarised information relating to credit purchases and other transactions. Creditors were settled through cheques.

Suppliers	Transactions			
	Credit Purchase (Rs.)	Return Outward (Rs.)	Amount paid in April (Rs.)	Discount (Rs.)
Gayan Manufacturers	550,000	8,000	820,000	20,000
Asoka Glass Products	860,000	14,000	1,176,000	30,000
Silicon Producers	1,130,000	6,500	1,350,000	40,000
Glossy Makes	215,000	50,500	50,000	2,000

- (viii) No unrealized or unrepresented cheques at the end of the month.

You are required to;

- (a) Record the above transactions in the Prime entry books for the month of April 2012. (8 marks)
- (b) Post the entries to necessary accounts in the general ledger assuming control accounts are maintained. (4 marks)

20. 2012 MAR CAB 1

Upasena, a retired government servant started a sole proprietorship two years ago which supplies cane baskets for an export oriented company. Upasena was allowed to keep 1/3 of the gross profit margin on his cost of sales as per the agreement with the company.

No proper set of books were maintained by Upasena for the last twelve months. The accountant who prepares the books of accounts of the business has passed away. Upasena invites you to help him to prepare the final accounts for the year ended 31 March 2011.

The following information was identified from the last year accounts and documents available with Upasena.

Balance as at	1 April 2010 (Rs.)	31 March 2011 (Rs.)
Property, Plant & Equipment		
Land	1,000,000	1,500,000
Buildings	1,040,000	1,230,000
Motor Vehicles	700,000	680,000
Furniture and fittings	500,000	400,000
Inventories	95,000	125,000
Trade debtors	145,000	198,000
10% Bank loan	1,000,000	940,000
Trade creditors	169,000	179,000
Accrued expenses - general expenses	31,000	39,000
Prepayments - general expenses	22,000	43,800
Cash balance	38,000	10,000

The following other important information were also identified.

1. A new land was purchased during the year. The cost incurred for the new building construction was Rs. 250,000 and the purchase of a new motor vehicle cost was Rs. 170,000.
2. The total general expenses incurred in cash for the last twelve month ended 31 March 2011 was Rs. 225,000. General expenses includes administration, selling and other financial expenses.
3. All the sales and purchases were on credit basis.
4. During the twelve months Rs. 10,000 has been received as discount from trade creditors.
5. Maturity proceeds of Upasena's personal fixed deposit amounting to Rs. 215,000 has been introduced to the business during the year.
6. A donation of Rs. 5,000 per month is given to the children's orphanage by Upasena.
7. Loan statement received from the bank indicates that the total interest payments were Rs. 95,000 during the year. Out of the total capital and interest payments Rs. 105,000 has been settled through Upasena's personal current account.

You are required to prepare,

- (a) Statement of Affaires as at 01 April 2010. (2 marks)
 - (b) Statement of Financial Position as at 31 March 2011. (3 marks)
 - (c) Comprehensive Income Statement for the twelve months ended 31 March 2011 (4 marks)
 - (d) Trade debtors and trade creditors accounts. (3 marks)
 - (e) Cash book for the period. (3 marks)
- (Total 15 marks)

CA BL1 - Revision Kit

17.1 A business has compiled the following information for the year ended 31 October 20X2:

	Rs
Opening inventory	386,200
Purchases	989,000
Closing inventory	422,700

The gross profit as a percentage of sales is always 40%

Based on these figures, what is the sales revenue for the year?

- A Rs 1,333,500
 - B Rs 1,587,500
 - C Rs 2,381,250
 - D The sales revenue figure cannot be calculated from this information
- 17.2 Which of the following calculations could produce an acceptable figure for a proprietor's net profit for a period if no accounting records had been kept?
- A Closing net assets plus drawings minus capital introduced minus opening net assets
 - B Closing net assets minus drawings plus capital introduced minus opening net assets
 - C Closing net assets minus drawings minus capital introduced minus opening net assets
 - D Closing net assets plus drawings plus capital introduced minus opening net assets

17.3 A sole proprietor fixes his prices to achieve a gross profit percentage on sales revenue of 40%. All his sales are for cash. He suspects that one of his sales assistants is stealing cash from sales revenue.

The trading section of his profit or loss account for the month of June 20X3 is as follows:

	Rs'000
Recorded sales revenue	181,600
Cost of sales	114,000
Gross profit	67,600

Assuming that the cost of sales figure is correct, how much cash could the sales assistant have taken?

- A Rs 5,040,000
- B Rs 8,400,000
- C Rs 22,000,000
- D It is not possible to calculate a figure from this information

17.4 Adeepa does not keep proper accounting records, and it is necessary to calculate her total purchases for the year ended 31 January 20X3 from the following information:

	Rs
Trade payables: 31 January 20X2	130,400
31 January 20X3	171,250
Payment to suppliers	888,400
Cost of goods taken from inventory by Adeepa for his personal use	1,000
Refunds received from suppliers	2,400
Discounts received	11,200

What is the figure for purchases that should be included in Adeepa's financial statements?

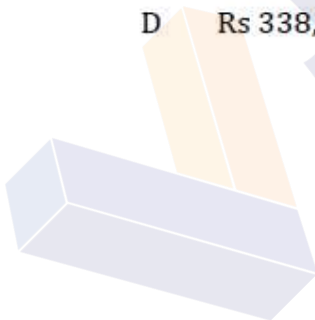
- A Rs 914,650
- B Rs 937,050
- C Rs 939,050
- D Rs 941,850

17.5 Wasura keeps no accounting records. The following information is available about her position and transactions for the year ended 31 December 20X4:

	Rs'000
Net assets at 1 January 20X4	210,000
Drawings during 20X4	48,000
Capital introduced during 20X4	100,000
Net assets at 31 December 20X4	400,000

Based on this information, what was Wasura's profit for 20X4?

- A Rs 42,000,000
- B Rs 242,000,000
- C Rs 138,000,000
- D Rs 338,000,000



17.6 Alpha is a sole proprietor who does not keep proper accounting records.

Alpha's first year of trading was 20X4. From reviewing Alpha's bank statements and the incomplete records relating to cash maintained, the following summary has been compiled.

Bank and cash summary, Alpha, 20X4

	Rs
Cash received from credit customers and paid into the bank	381,600
Expenses paid out of cash received from credit customers before banking	6,800
Cash sales	112,900
Other information, Alpha, 20X4	
Irrecoverable debts written off	7,200
Discounts allowed taken by credit customers	9,400
Closing balance of trade receivables	0

Which of the following correctly represents Alpha's sales figure for 20X4?

- A Rs 517,900
- B Rs 112,900
- C Rs 381,600
- D Rs 510,900

17.7 On 1 September 20X6, a business had inventory of Rs 380,000. During the month, sales totalled Rs 650,000 and purchases Rs 480,000. On 30 September 20X6 a fire destroyed some of the inventory. The undamaged goods in inventory were valued at Rs 220,000. The business operates with a standard gross profit margin of 30%.

Based on this information, what is the cost of the inventory destroyed in the fire?

- A Rs 185,000
- B Rs 140,000
- C Rs 405,000
- D Rs 360,000

CIMA BA3 Kaplan Exam Practice Kit

160 Which one of the following does not form part of cost of goods sold?

- A Closing inventories
- B Sales
- C Opening inventories
- D Purchases

161 An entity had opening inventories of \$400 and closing inventories of \$2,000. During the year, it made purchases of \$3,000 and made sales of \$5,000.

What was the gross profit or loss for the accounting period?

- A \$3,600 Profit
- B \$400 Loss
- C \$10,400 Profit
- D \$4,400 Loss

162 An entity had a gross profit for the year of \$4,300, and also had the following items included in its trial balance at the end of the year:

- Rent paid \$1,000
- Interest paid \$300
- Rent received \$200

What was the entity's net profit for the year?

- A \$3,000 profit
- B \$3,200 profit
- C \$5,600 profit
- D \$5,800 profit

157 Which one of the following is not part of the statement of profit or loss?

- A Sales
- B Gross profit
- C Receivables
- D Rent receivable

158 Which one of the following is not part of the statement of financial position?

- A Prepayments
- B Short-term loans
- C Interest payable
- D Payables

163 When comparing the most recent statement of financial position with that of the previous year, it was noted that inventories had increased by \$500, payables had increased by \$2,400 and the bank balance had decreased by \$800. Receivables were unchanged.

What was the change in working capital?

- A a decrease in working capital of \$2,100
- B an increase in working capital of \$2,700
- C a decrease in working capital of \$2,700
- D an increase in working capital of \$2,100

164 Gross profit for 20X1 can be calculated from:

- A purchases for 20X1 plus inventories at 31 December 20X1 less inventories at 1 January 20X1
- B purchases for 20X1 less inventories at 31 December 20X1 plus inventories at 1 January 20X1
- C cost of goods sold during 20X1 plus sales during 20X1
- D net profit for 20X1 plus expenses for 20X1

165 What is meant by the term 'working capital'?

- A Total assets less total liabilities
- B Current assets less current liabilities
- C Capital plus profit less drawings
- D Capital plus profit less drawings plus non-current liabilities

166 BCD made sales of \$24,000 during the month of January 20X1, incurred expenses of \$12,000, and net profit was 10% of sales.

What was the cost of sales for January 20X1?

- A \$9,600
- B \$12,000
- C \$14,400
- D \$21,600

177 Based upon the following information, what was the cost of purchases for the accounting period?

	\$
Opening payables	71,300
Cash paid to suppliers	271,150
Discounts received	6,600
Goods returned	13,750
Closing payables	68,900
\$	

178 Based upon the following information, what were the credit sales for 20X3?

	\$
Receivables at 1 January 2003	30,000
Receivables at 31 December 2003	27,000
Total receipts during 2003 (including cash sales of \$15,000)	255,000
\$	

CIMA BA3 Astranti Revision Kit

Example

Information from a business which doesn't keep full accounting records.

	01 st Jan	31 st Dec
Inventories	£4,950	£5,270
Receivables	£750	£925
Payables for purchases	£1,200	£1,475
Accrued wages payable	£235	£300

A **cash and bank summary** can be created based on this information.

Cash	£	Bank	£
Opening balance	1,020	Opening balance	11,550
Receipts		Receipts	
Shop takings	9,775	Customer cheques	3,015
Cash withdrawn - bank	525	Shop takings paid in	6,500
	<u>11,320</u>		<u>21,065</u>
Payments		Payments	
Purchases	(720)	Purchases	(6,900)
Wages	(195)	Wages	(1,750)
Other expenses	(250)	Other expenses	(1,075)
Drawings	(1,525)	Purchase of van	(950)
Paid into bank	(6,500)	Cash withdrawn	(525)
Closing balance	<u>2,130</u>	Closing balance	<u>9,865</u>

Prepare the financial statements.