

Preparation of Financial Statements

AAT Level I

FAC - Financial Accounting

Sandeepa Jayasekera

MBA (PIM-SJP), B.Sc. (Acct.) Hons. Gold Medal Winner, ACA, ACCA (UK), SAT, CIMA (UK) Passed
Finalist, CA and CIMA Prize Winner



JMC Jayasekera Management Centre (Pvt) Ltd
Pioneers in Professional Education

65/2A, Chittampalam Gardiner Mawatha, Colombo 02 | T: +94 112 430451 | E: info@jmc.lk | F: +94 115 377917



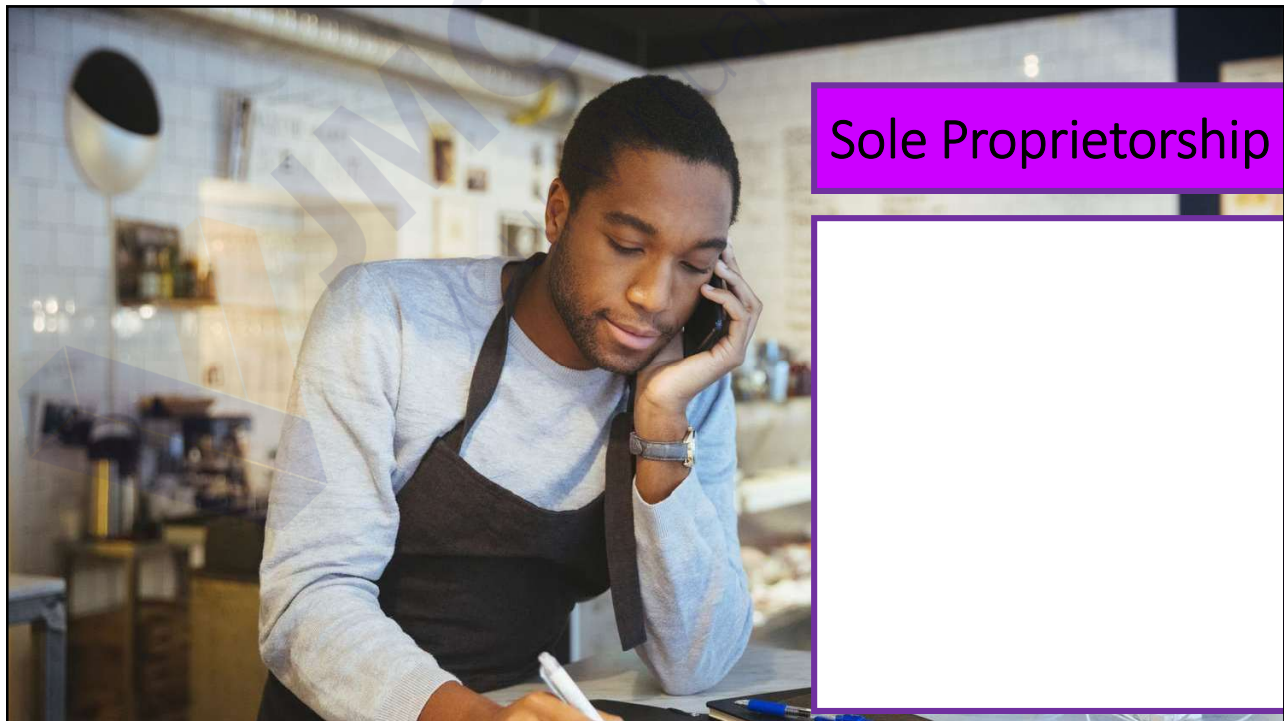
JMC vLearning
"your virtual learning partner"

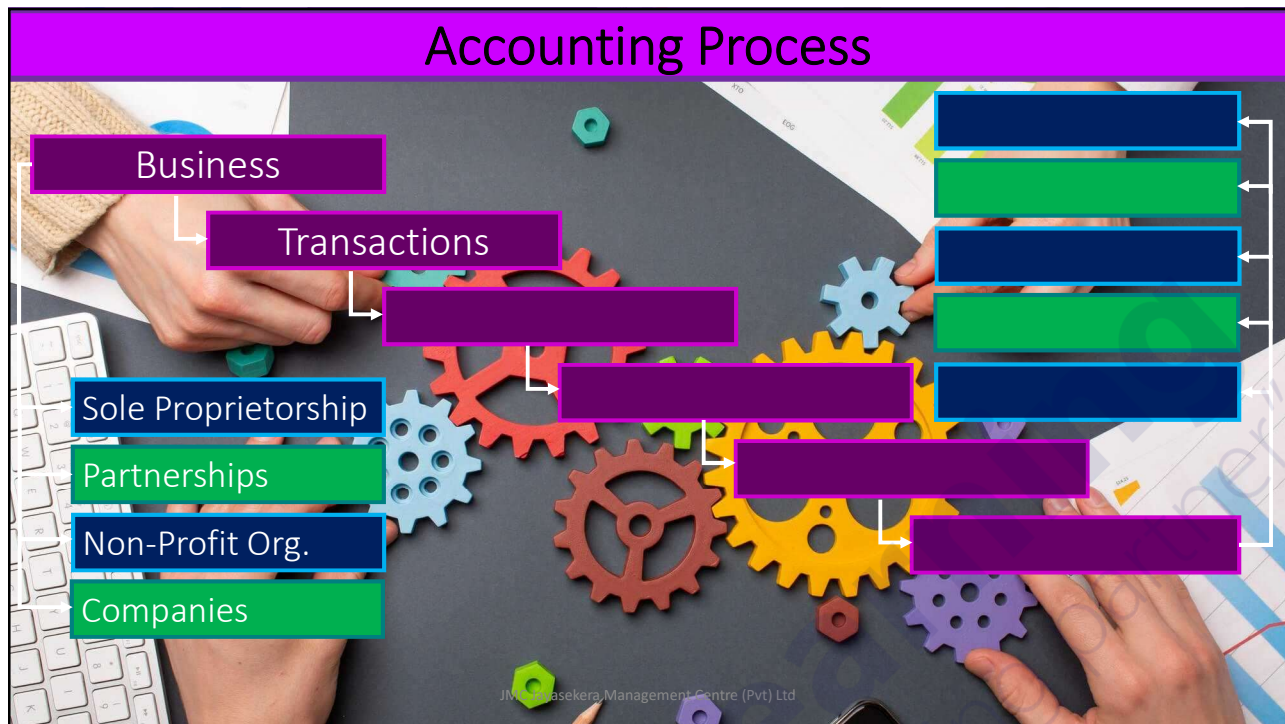
AAT 01 – Financial Accounting

Chapter 04 – Sole Proprietorship Financials

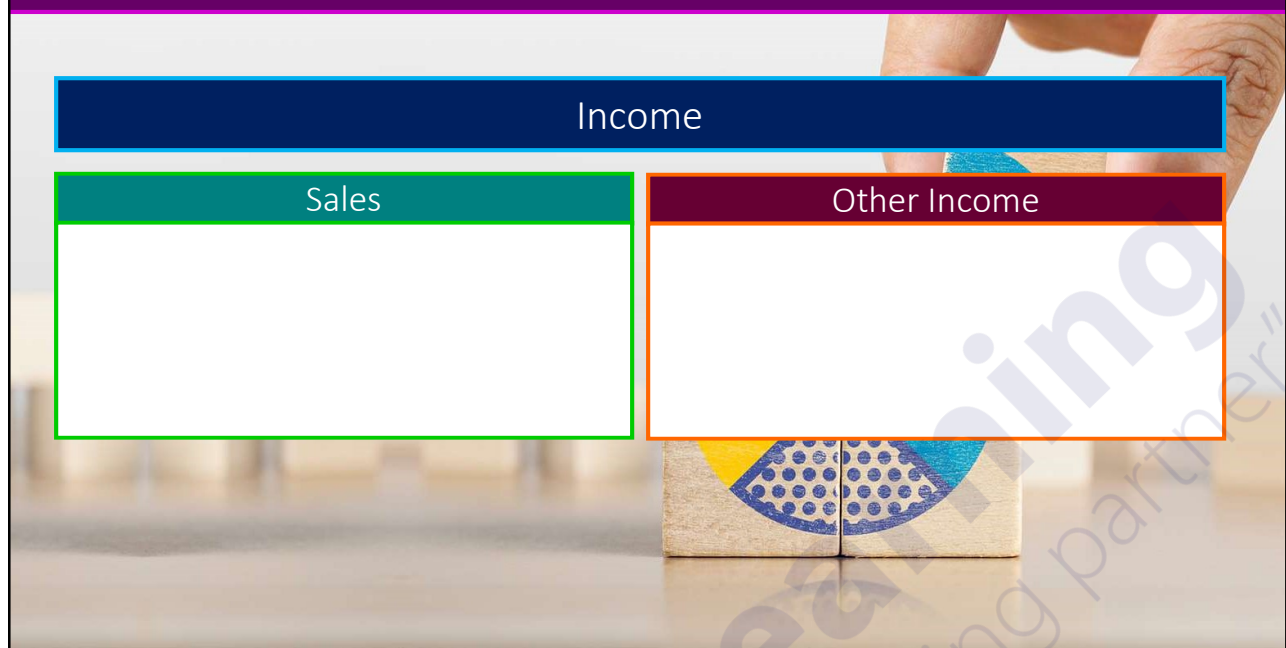
Sandeepa Jayasekera

MBA (PIM-SJP), B.Sc. (Acct.) Hons. Gold Medal Winner, FCA, ACCA (UK), SAT, ACMA (UK), CGMA (UK), CA Prize Winner for AFR subject in Strategic Level II, CA First in Order of Merit Prize Winner in CAB II Level, CIMA Strategic Level Aggregate Prize Winner, Visiting Lecturer – Colombo University

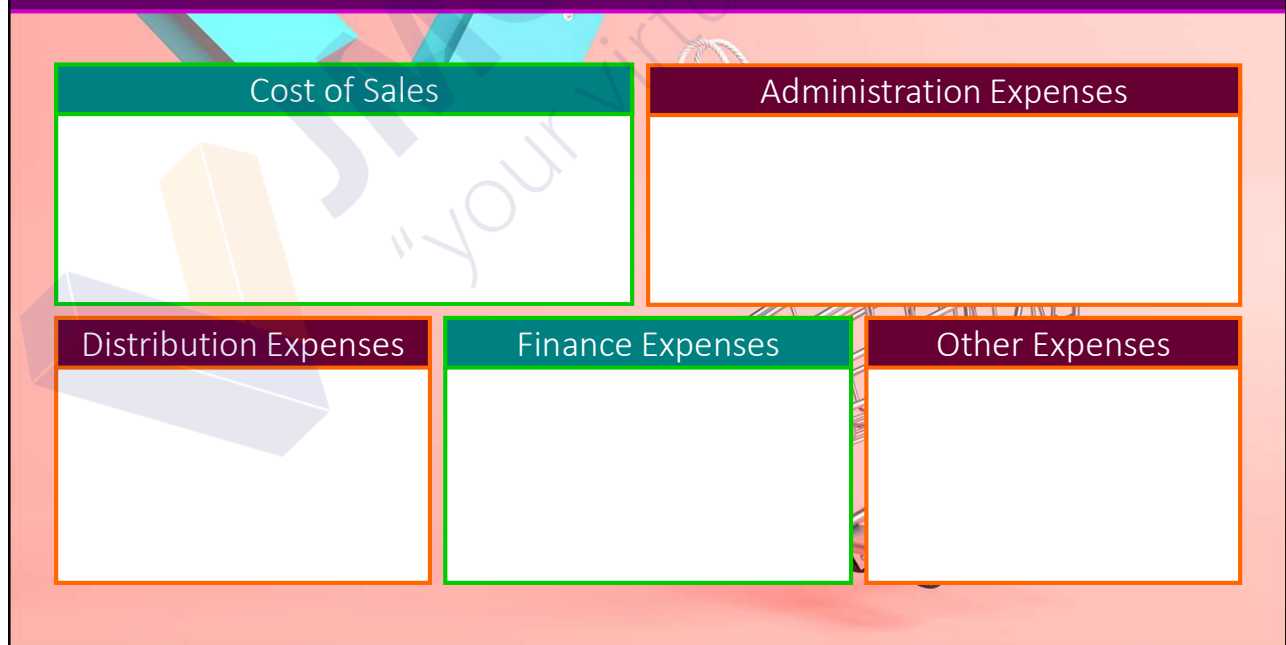




Items in Profit and Loss Statement



Items in Profit and Loss Statement



Statement of Profit or Loss has 02 Parts

Trading Account

Trading account shows up to gross profits from buying and selling business

Sales	XXX
(-) Cost of Sales	(XX)
Gross Profit	XX

Profit and Loss Account

PnL account shows from gross profits to net profits

Gross Profit	XXX
+ Other Income	(XX)
(-) Expenses	XX



Trading Account

Format of Trading Account (Sole Proprietor)

ABC Enterprises
Trading Account
For the year ended 31st March 20X7

Sales	XXX	
(-) Returns inwards	(X)	XXX
<u>Cost of Sales</u>		
Opening Stock	X	
Purchases	XXX	
Carriage Inwards	X	
(-) Inventory Drawings	(X)	
(-) Damaged Inventory	(X)	
(-) Inventory Donations	(X)	
(-) Returns Outwards	(X)	
	XXX	
(-) Closing Stock	(X)	(XXX)
Gross Profit		XX

Double Entries in Trading Account

Item	Description	Double Entry
Sales	Sales is the main income of the business generated by selling the products (Goods or Services) to the customer.	Sales Dr. Trading Account Cr.
Sales returns (Return inwards)	Sales returns are the items returned by the customers. Sales return will reduce the value of sales	Trading Account Dr. Sales Return Cr.
Opening Inventory	Last year closing inventory will become the current year opening inventory. The business will first sell their opening inventory. Therefore, this is added to cost of sales	Trading Account Dr. Opening Inventory Cr.

Double Entries in Trading Account

Item	Description	Double Entry
Purchases/ Carriage Inwards/ Other Direct Exp.	Purchases, carriage inwards and other direct expenses represent the current year cost of items sold. Therefore, these are added to cost of sales.	Trading Account Dr. Purchases/Carriage Inwards/Direct Exp. Cr.
Purchase Returns and Drawing of Goods	Purchase returns will reduce the cost of purchase. Further, the inventory drawn by owners shall be removed from cost of sale and recognize as a reduction of equity.	Purchase Return/Drawings Dr. Trading Account Cr.
Closing Inventory	The value of inventory unsold at the end of the year is not a part of current year cost of sale. Therefore, it will be reduced from inventory and recognize as an asset.	Closing Inventory Dr. Trading Account Cr.

Question 01

Following information is extracted from Thushi's books. Based on the information, prepare the trading account and calculate the gross profit as at 31/12/20X8.

	Rs.
Stocks as at 01/01/20X8	50,000
Stocks as at 31/12/20X8	20,000
Purchases	450,000
Sales	675,000
Carriage inward	25,000
Carriage outward	50,000
Purchase return	5,000
Sales return	10,000

Question 02

Following information is extracted from the books of Kamal's Company

Stocks as at 01/01/20X5	80,000
Stocks as at 31/12/20X5	90,000
Purchases	500,000
Sales	800,000
Carriage inward	10,000
Carriage outward	5,000
Purchase return	60,000
Sales return	70,000
Goods drawings	5,000

Required

Prepare the trading account

Sandeepa Jayasekera - JMC

15



Profit or Loss Account


Format of Trading Account (Sole Proprietor)

ABC Enterprises
Profit or Loss Account
For the year ended 31st March 20X7

Gross Profit		XXX
<u>Other income & Profits</u>		
Discounts Received	X	
Investment Income	X	
Commission Received	X	
Interest income	X	X
<u>Administration & Establishment Expenses</u>		
Rent	X	
Electricity	X	
Salaries and Wages	XX	
Water	X	(XX)

<u>Selling & Distribution Expenses</u>		
Marketing	X	
Vehicle Depreciation	X	
Bad Debts	X	
Discounts Allowed	XX	
Provisions for Doubtful Debts	X	(XX)
<u>Financial Expenses</u>		
Bank Charges	X	
Bank Overdraft Interest	X	
Interest Expenses	X	(X)
<u>Other expenses</u>		
Stock Damages/Losses	X	
Donations	X	
Disposal Losses	X	(X)

Double Entries in Profit or Loss Account		
Item	Description	Double Entry
Gross Profit	Gross Profit in Trading account will be transferred to Profit or Loss	Trading Account Dr. Profit or Loss Cr.
Other Income	Other income such as interest income, rent income are transferred from income account to PnL	Income Account Dr. Profit or Loss Cr.
Revenue Expenditure	Administration, Distribution, Finance and Other expenses are transferred from relevant expense account to PnL	Profit or Loss Dr. Expense Account Cr.



IMPORTANT
MESSAGE

In general, the Trading account and Profit or Loss are prepared together as One statement



Statement of Financial Position



Items in Statement of Financial Position

Items in Statement of Financial Position	
Non-Current Assets	Current Assets
Equity	Non-Current Liabilities
	Current Liabilities

Format of Statement of Financial Position (Sole Proprietor)

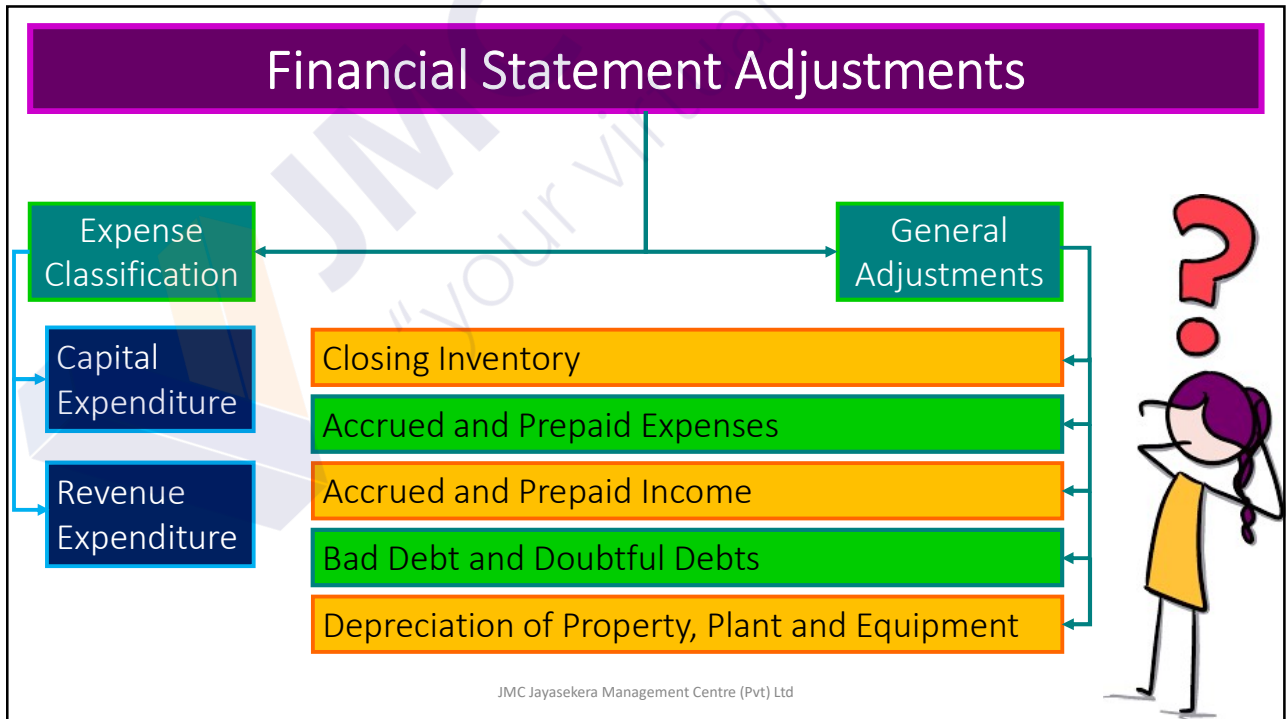
ABC Enterprises
Statement of Financial Position
As at 31st March 20X7

	Cost	Acc. Dep.	NBV
<u>Non - Current Assets</u>			
Land	XXX		XXX
Building	XXX	(XX)	XXX
Motor vehicle	XXX	(XX)	XXX
	XXX	(XX)	XXX
Fixed Deposit			XX
			XXX
<u>Current Assets</u>			
Inventory		XX	
Trade Debtors	XX		
(-) Provision for Doubtful Debts	(X)	XX	
Prepayments		X	
Cash and Cash Equivalents		X	XX

<u>Equity</u>			
Capital		XX	
(+) Profit for the year		X	
(-) Drawings		(X)	XX
<u>Non – Current Liabilities</u>			
Gratuity		X	
Bank Loans		XX	XX
<u>Current Liabilities</u>			
Creditors		XX	
Accrued Expenses		X	
Bank Overdraft		X	XX
Total Equity & Liabilities			XXX



Adjustments to the Financial Statements



Expense Classification

Businesses incur various expenses from their business activities.

Depending on the nature, the expense are classified as capital expenses and revenue expenses.

Capital expenses are recognized as assets (Capitalized) and revenue expenses are charged to statement of profit or loss to calculate the profit or loss for the period.

JMC Jayasekera Management Centre (Pvt) Ltd

Capital Expenditure

Capital expenditure includes acquisition and improving the assets (Land, Buildings, Machinery, Motor Vehicle, Equipment etc.) which will give long term benefits.

Both purchase of the asset and expenses incurred on increasing the future economic benefits shall be capitalized to the asset (Recorded to an asset)
capital expenditure may also be incurred on the replacement of major components of property, plant and equipment.



Question 03

The following information relates to the purchase of a machine.

List price of the machine	500,000	
Less: Trade discount	(25,000)	475,000
Freight paid		5,500
Cost of insurance coverage on machine while in transit		1,000
Installation costs		5,000
Technical officer fees		3,500
Repair of damages to machine caused by the firm's employees		2,600

Compute the cost at which the machine should be carried in the firm's accounts.

Sandeepa Jayasekera - JMC

29

Question 04

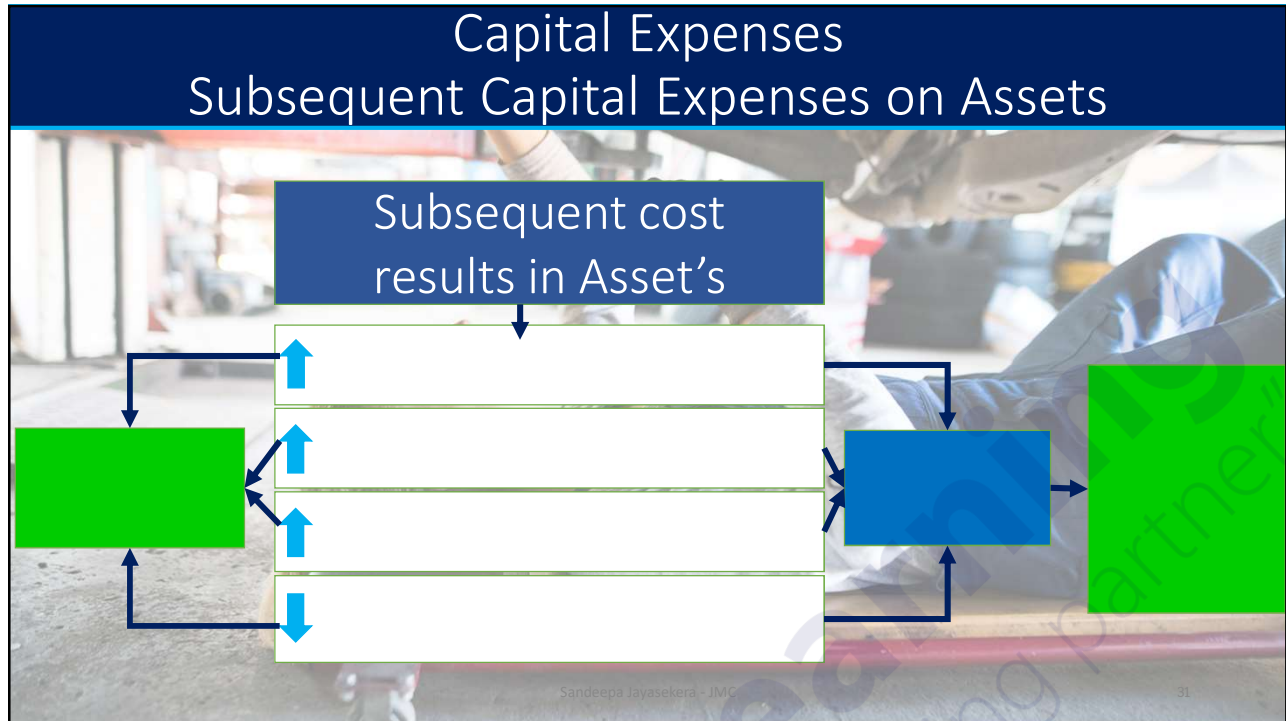
The following information relates to the acquisition of a machine on 31.03.20X5

	Rs.
Purchase price	700,000
Transport cost from port to the business premises	70,000
Cost of site preparation	120,000
Cost of installation	80,000
Expenses of the opening ceremony	30,000
Capital cost of the initial testing of the machine	10,000

Calculate the cost of the machine at initial recognition

Sandeepa Jayasekera - JMC

30



Subsequent Capital Expenditure

Subsequent expenditure incurred on assets are capitalized (Added to the asset) if such expense increases the quality of the asset, useful life or capacity or it reduces the operational expenses. All the other expenses are charged to profit or loss.

JMC Jayasekera Management Centre (Pvt) Ltd

Question 05

Identify each of the above costs as either a capital expenditure or revenue expenditure.

- (a) Purchase of a new machine -
- (b) Painting cost of an office building -
- (c) Installation charges on new machine -
- (d) Cost of a paper stapler purchased for office use -
- (e) Repair costs to fix damaged equipment -
- (f) Architect's fee on new building -
- (g) Changing the engine of a machine, which increased efficiency -
- (h) Attorney's fee related to newly purchased land -

Sandeepa Jayasekera - JMC

33

Adjustments





How to account for Closing Inventory?



Closing Inventory Adjustment

Closing inventory is the unsold inventory at the end of the year. Since these are not sold, it shall be removed from cost of sales and recognize as a current asset. Accordingly, following double entry will be passed.

Inventory Debit

Cost of Sales Credit

Question 06

Manuka Traders is conducting a business of selling bee honey. The opening inventory at the beginning of the year was Rs. 5,000. During the year they purchased Rs. 100,000 worth of honey. Towards the end of the financial year, Rs. 10,000 worth of honey remained unsold at the warehouse.

Required.

1. Provide the double entry for the closing inventory.
2. Calculate the cost of sales.

Sandeepa Jayasekera - JMC

37

How to
account for
Electricity
bill payable?

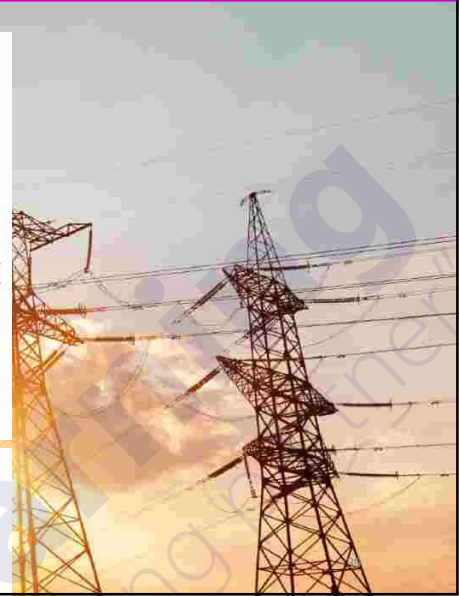


Accrued Expenses (Payable Expense)

An accrued expense means an expenses relevant to the accounting period which has not been paid yet. As per the accrual concept, the expense and the current liability (Accrued Expense) shall be recognized during the accounting period.

Relevant Expense Account Debit

Accrued Expense Liability Credit



Question 07

The electricity expense for the month of March was Rs. 20,000. As at 31st of March 20X4, Electricity bill for the month of March has not been paid.

Required.

Decide the double entry for the accrued electricity.

Question 08

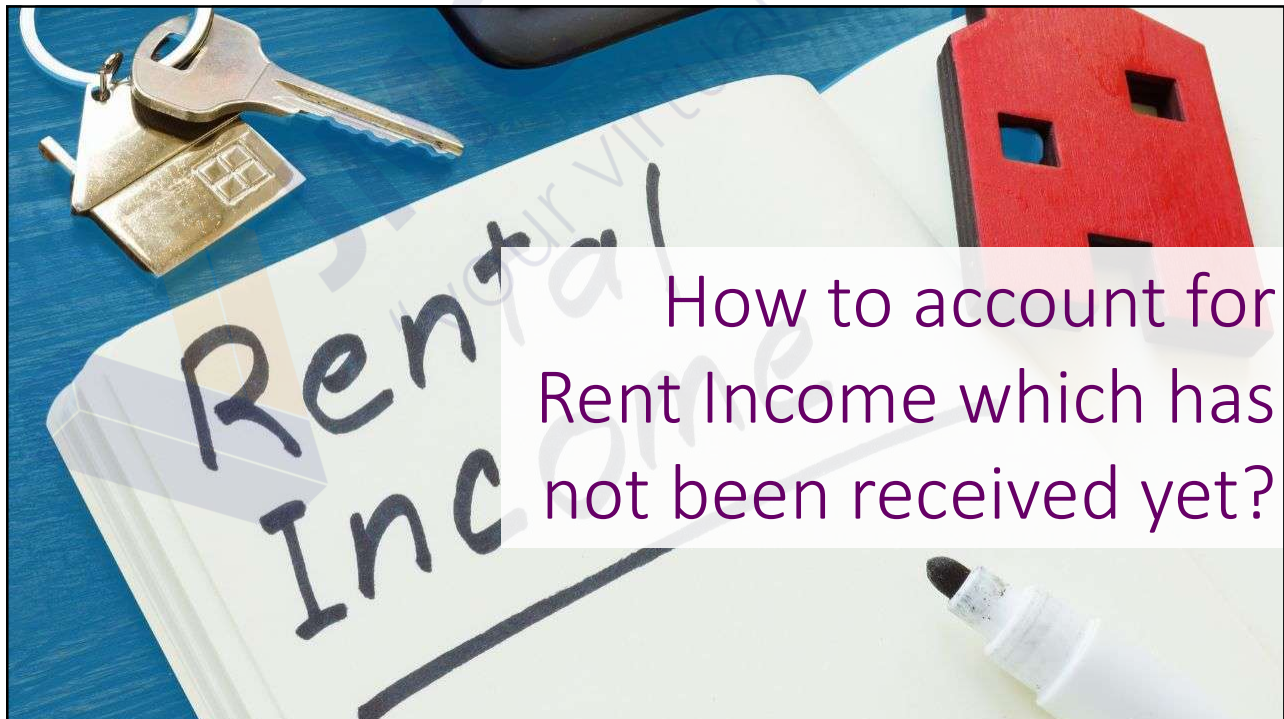
Business has obtained a bank loan of Rs. 500,000 at an interest rate of 10%. The loan was obtained on 1/10/X4. The interest paid for the year is Rs. 15,000. If the financial year ends on 31/3/X5,

Calculate

1. Total interest for the period
2. Accrued interest for the period
3. Double entry required to record the accrued interest.

Sandeepa Jayasekera - JMC

41



Accrued Income (Income Receivable)

Income which are relevant to the accounting period but has not been received yet are considered as Accrued Income or Income Receivable.

As per the accrual concept, the income and the current asset (Receivable/Accrued Income) shall be recognized during the accounting period.

Receivable Account Debit

Income Account Credit

Sandeepa Jayasekera - JMC

Question 09

Sandun has rented out his building on a monthly rent of Rs. 100,000. During the year only Rs. 1,000,000 has been received as rent income. Last two months rent has not been received yet.

Required

1. Calculate the rent receivable.
2. Determine the double entry for the accrued rent income.

Sandeepa Jayasekera - JMC

44

Question 10

Chamindu invested in fixed deposits in following manner.

- a. Rs. 100,000 in 20% 06 months fixed deposit on 1st January 20X3
- b. Rs. 500,000 in 18% 01 year fixed deposit on 1st July 20X2

Required

1. How much is the interest income receivable as at 31 March 20X3.
2. Provide the double entries.

Sandeepa Jayasekera - JMC

45



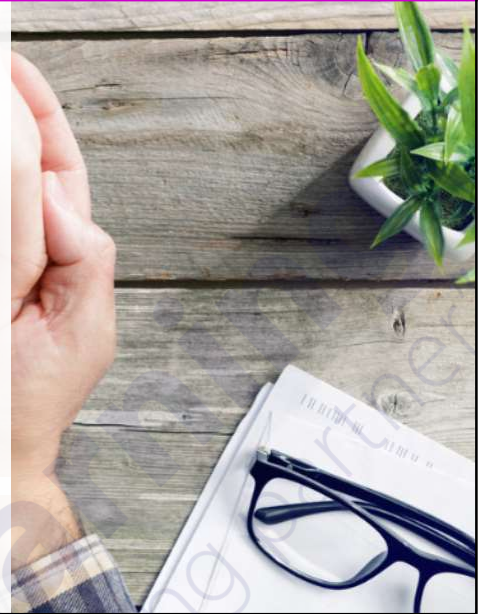
Prepayments (Prepaid Expenses)

If an expense of a future accounting period is paid during the current period, it's considered as a prepayment.

As this payment is not relevant for the current accounting period it will be recognized as a current asset named prepayments. Since it's a cash payment, it will be reduced from cash.

Pre-payments Account Debit

Cash Control Account Credit



Question 11

Shakthi purchased a building on 1/1/X4. The rates for the entire year of Rs. 16,000 was paid on the same day. The financial year ends on 31st of March.

Required

1. Calculate the prepaid rates for the year ended 31 March 20X4.
2. Determine the double entry for the prepaid rates.

Question 12

Tharun Traders has obtained an insurance paying Rs. 1,200,000. The insurance period is starting from 1/1/X4 to 31/12/X4.

However, the entire payment was considered as an insurance expense in their books.

Financial year ends on 31/3/20X4

Required.

1. Determine the insurance paid in advance.
2. Determine the double entry.

Sandeepa Jayasekera - JMC

49

How to account for an advance received from a customer?



Advance Received (Pre-received Income)

If an income relevant for the future accounting period is received from a customer during the current period, it's considered as an advance received.

As this receipt is not relevant for the current accounting period it will be recognized as a current liability named advance received. Because whenever customer demands, the cash shall be returned.

Cash Control Account Debit

Advance Received Credit

Question 13

Rama enterprises is selling computers. Rs. 200,000 has been received from a customer for an order on 28th March 20X3. The computers were delivered to customer on 5th of April 20X3. Financial year ends on 31st March.

Required

1. Determine the double entry for the advanced received.

How to account
for Bad Debts
and
Doubtful Debt?

**BAD
DEBT**
**STRAIGHT
AHEAD**

Most of the
business are
doing
Credit Sales.
Credit sales
create a
debtor.



Even though, the entities have a good control on recovery of debtors, due to financial issues faced by the customers some amounts from certain debtors may not be able to settle the amount. It is a loss to the entity. The loss is considered as an expense named as “Bad debts”. Bad debt is the irrecoverable debtor amount. This is recognized as a distribution expense and a reduction of debtor.

Bad Debt Expense Debit (Distribution Exp.)

Debtors Control Account Credit



Question 14

Sahan enterprises has sold Rs.200,000 worth of goods to Nimal on credit terms. As Nimal has gone bankrupt, the debtor balance is irrecoverable.

How should this be reflected in the financial statements?

Bad Debt Recovery

Sometimes a debtor might settle a debt balance which is already written off as bad debt. Such receipt cannot be accounted as a normal receipt from the debtor as we have already eliminated the debtor. This shall be recognized as a cash receipt and reduction of bad debt expense.

Cash Control Account Debit

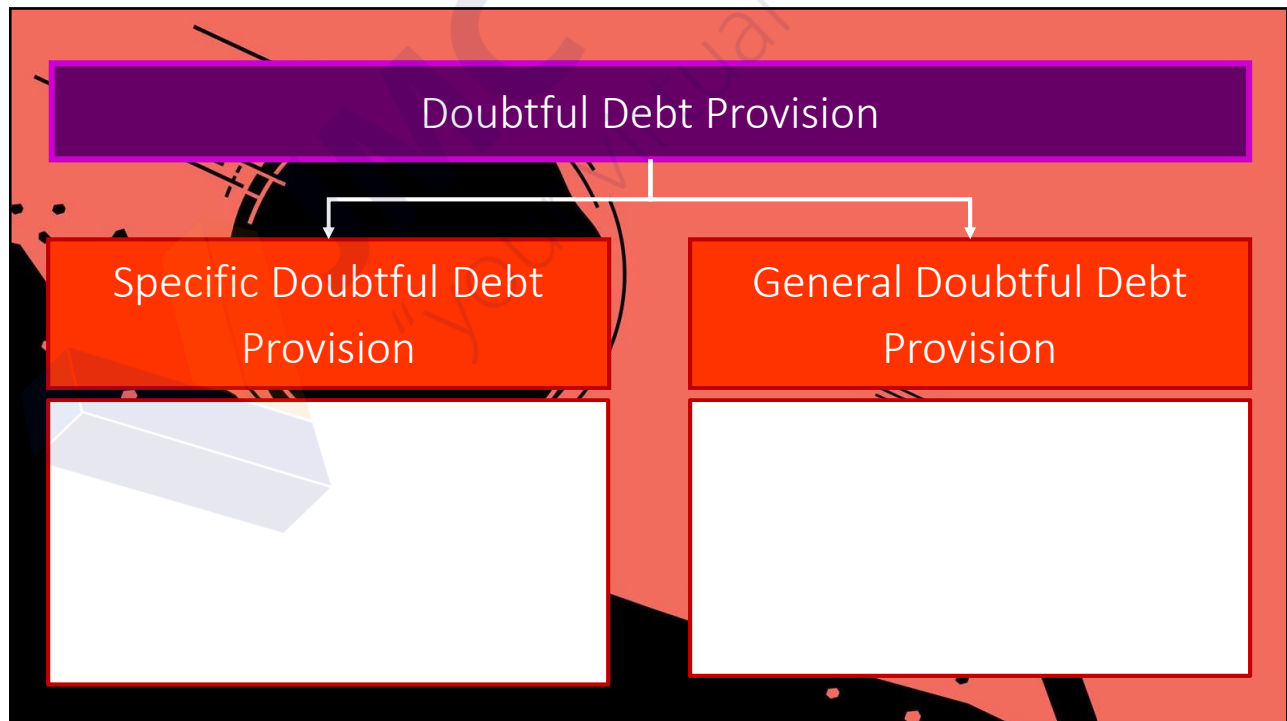
Bad Debt Credit

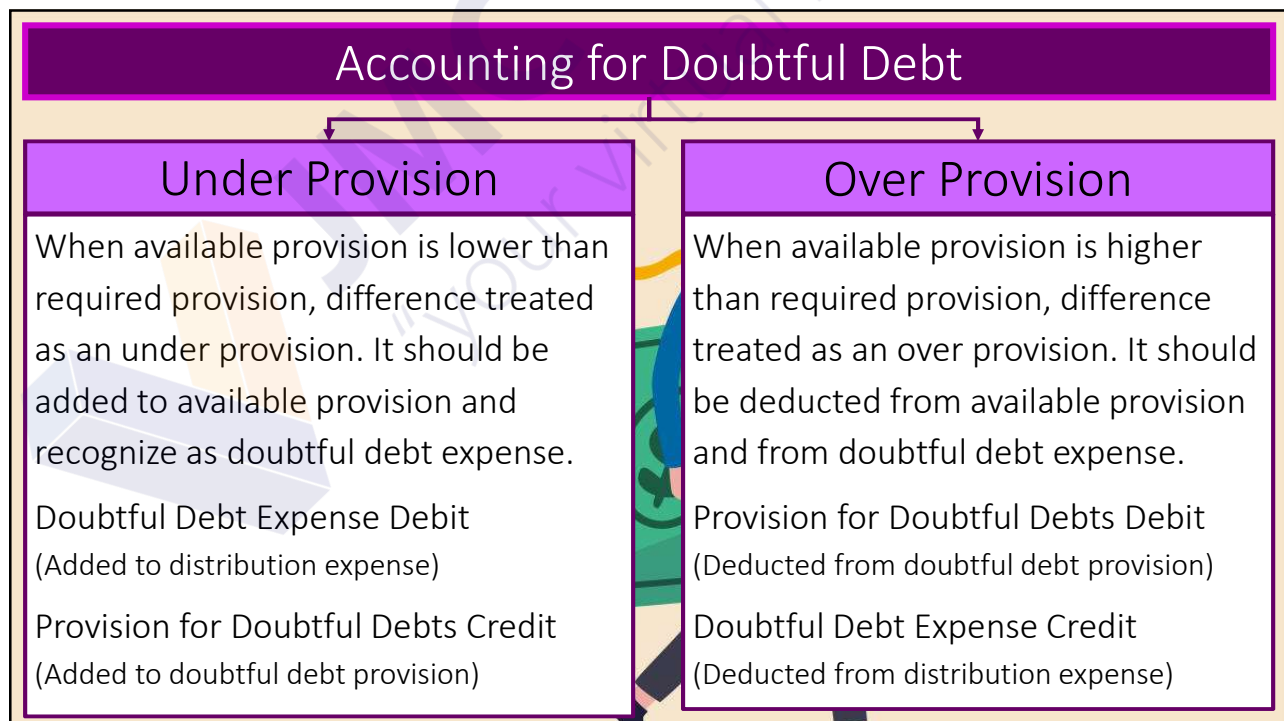
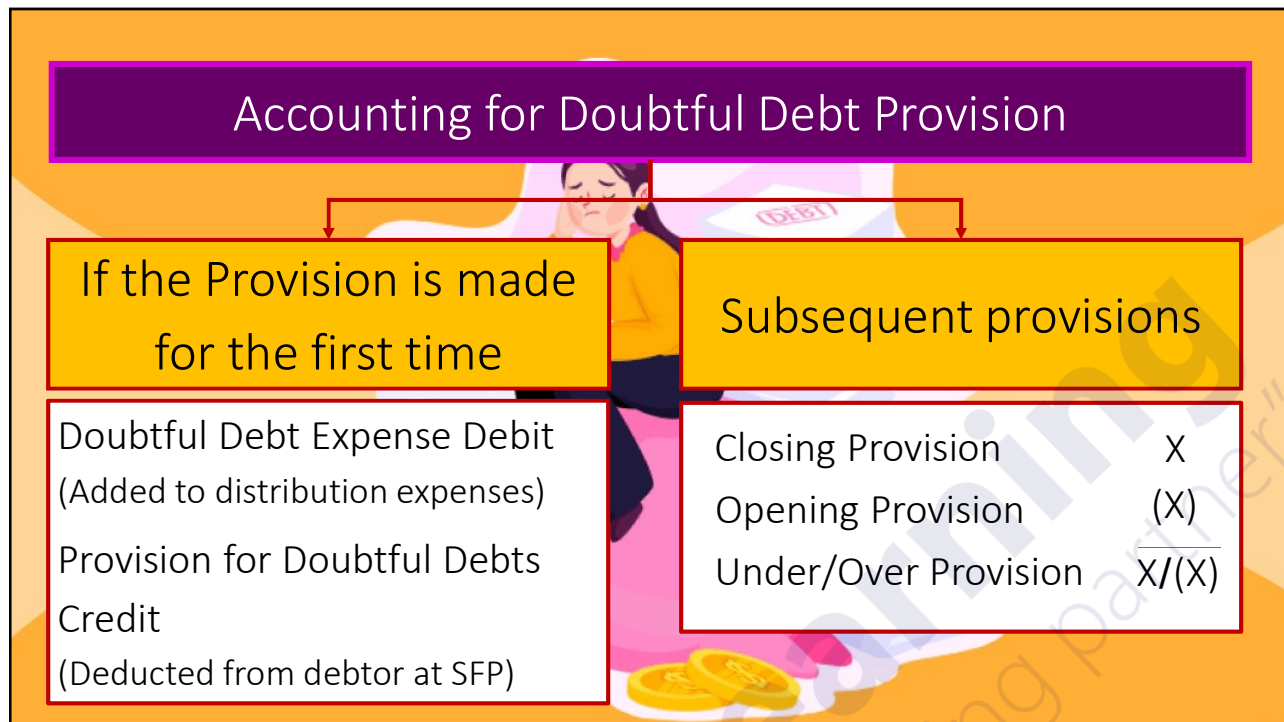
Question 15

In the previous example Rs.200,000 debt balance of Nimal was written off. Subsequently, Rs.100,000 was received from Nimal. How to account this receipt?

Doubtful Debt Provision (Debtor Impairment Provision)

When there's a doubt on recovering the debtor balances, a provision has to be recognized to be more prudent. The provision expense is charged to profit or loss. Such provisions are called doubtful debt provisions or the debtor impairment provisions.





Presentation of Bad Debt and Doubtful Debt in Financial Statements of Sole Proprietorship

Profit or Loss

Distribution Expenses		
Bad Debt Expense	X	
Bad Debt Recovery	(X)	
Doubtful Debt Under Provision	X	
Doubtful Debt Over Provision	(X)	

Financial Position

Current Assets			
Trade Debtors	X		
(-) Provision for Doubtful Debt Provision	(X)	X	

Bad debts are directly deducted from trade debtor balance. Closing doubtful debt provision is deducted from the closing trade debtor balance (After bad debt) as shown above.

Question 16

Raja traders has provided the following details as at 31st March 20X5

Debtors	110,000
Provision for doubtful debt as at 1 st April 20X4	6,000

The business has decided to write off Rs. 5,000 as bad debts and provide 5% as the doubtful debt.

Required

- Double entry for bad debts
- Calculate the doubtful debt under/over provision
- Ledger accounts
- Financial statement extracts

Question 17

Following details are applicable for the Anagi's business as at 31/3/20X4.

	Rs.
Debtors	1,000,000
Provision for doubtful debts	100,000

Rs. 200,000 receivable from Sidath was considered as a bad debt and it shall be written off. Rs. 50,000 due from Damith was decided to be made a doubtful debt provision. For the remaining debtor balance 5% doubtful debt provision is required.

Required

Provide the double entries and financial statement extracts.

Sandeepa Jayasekera - JMC

65

How to Account for Depreciation?



Sandeepa Jayasekera - JMC

66

Depreciation

As per matching concept the depreciable value (cost less residual value) of a property plant and equipment (PPE) shall be charged to profit or loss among useful life in a systematic manner.

Depreciable Value

=

Cost

-

Residual Value

Residual Value

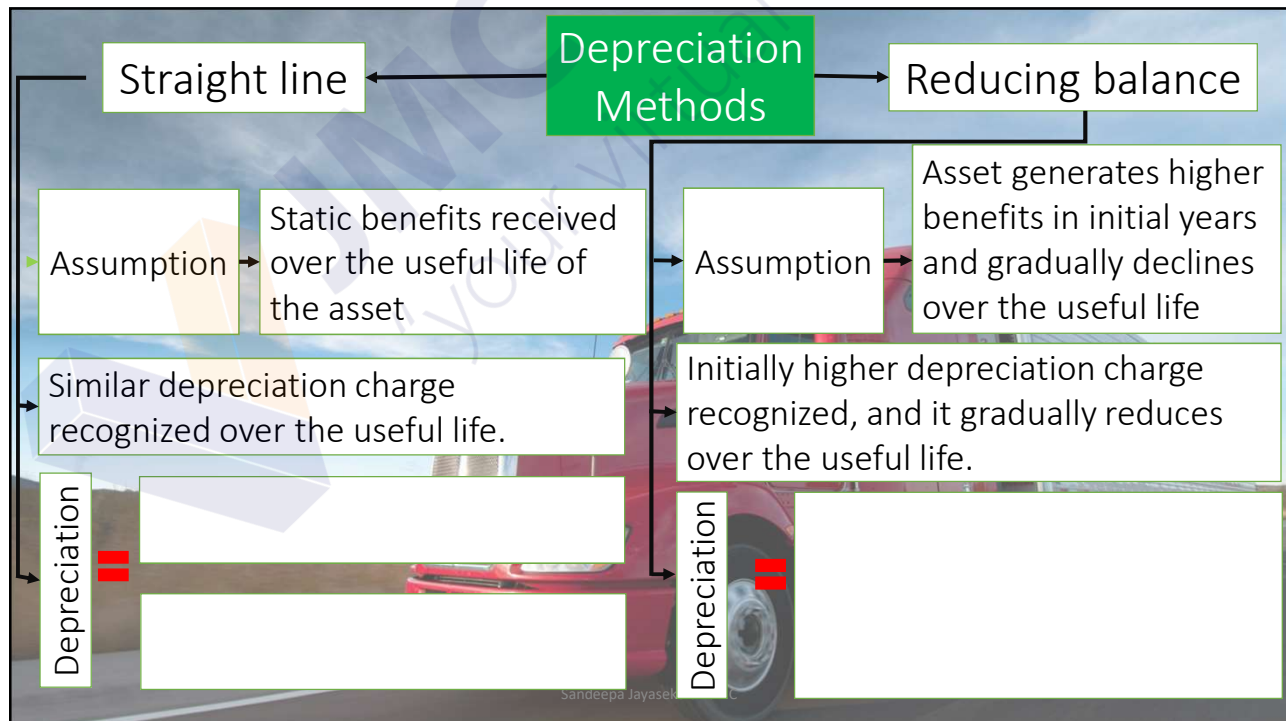
=

Net cash flow expected receive at the end of the useful life

Useful Life

=

Period expected to use the asset



Depreciation

Double Entry

Depreciation Expense Account Debit

Accumulated Depreciation Credit

Depreciation is debited to expenses. Depending on the type of the asset it'll be recognized under either cost of sales, administration expense or distribution expense.

Depreciation is credited to accumulated depreciation.

Accumulated depreciation is the provision made against the asset. Accumulated depreciation is deducted from the cost of the asset in the statement of financial position.

Question 18

Details of property, plant and equipment of Shevan enterprises is given below.

1. Machine with a cost of Rs. 550,000 has a residual value of Rs. 50,000. The useful life is 10 years. Calculate annual depreciation.
2. An equipment with a cost of Rs. 100,000. Reducing balance depreciation rate is 20%. Calculate depreciation for 2 years.

Question 19

Minoli Traders purchased a photocopier machine at a cost of Rs. 1,000,000. This photocopier machine can be used for 2 years. The residual value is Rs. 100,000.

If the maximum number of photocopies of the machine is 200,000 and first year copies were 150,000 and second year copies were 50,000, calculate the depreciation for the two years using production unit method.

Sandeepa Jayasekera - JMC

71

2024 July Q1.6

Sam Traders purchased a motor vehicle for Rs.4,000,000/- on 01st April 2022. The policy of the business is to provide depreciation on the diminishing (reducing) balance method at the rate of 20% per annum. The carrying value (Net Book Value) of the motor vehicle as at 31st March 2024 was:

- (1) Rs.2,400,000/-. (2) Rs.3,200,000/-. (3) Rs.2,560,000/-.
 (4) Rs.3,000,000/-.

Sandeepa Jayasekera - JMC

72

2024 January Q1.17

Kamal Traders acquired a machinery for Rs.6,000,000/- on 01st April 2022 and residual value at the end of useful life time is Rs.1,000,000/- and useful life time of the machinery is 5 years. Business policy is to depreciate the machinery on the straight-line method over useful life time (20% per annum). Calculate the depreciation charge of the machinery for the year ended 31st March 2023.

Sandeepa Jayasekera - JMC

73

2024 July Q1.8

Tharu Traders acquired a machinery for Rs.6,000,000/- on 01st April 2021. The policy of the business is to depreciate the machinery using the diminishing balance method at the rate of 20% per annum. The depreciation charge for the year ended 31st March 2023 was:

(1) Rs.768,000/-. (2) Rs.960,000/-. (3) Rs.1,200,000/-. (4) Rs.1,688,000/-.

Sandeepa Jayasekera - JMC

74

2023 January Q1.3

Ann Traders acquired a motor vehicle for Rs.5,000,000/- on 01st April 2020 and motor vehicles are depreciated by the business using the diminishing balance method at the rate of 25% per annum. Depreciation charge for the year ended 31st March 2022 was:

(1) Rs.1,250,000/-. (2) Rs.937,500/-. (3) Rs.703,125/-. (4) Rs.900,000/-.

Sandeepa Jayasekera - JMC

75

2022 July Q1.20

Maheli Stores acquired a machinery for Rs.800,000/- on 01st April 2020. Business's policy is to depreciate the machinery using the diminishing balance method at the rate of 20% per annum.

Calculate the depreciation charge for the year ended 31st March 2022.

Sandeepa Jayasekera - JMC

76

2024 July Q6

Nimsara Furniture is a sole proprietorship owned by Nimsara and the Trial Balance of Nimsara Furniture as at 31st March 2024 was as follows: Rs. 000'

Description	Dr.	Cr.
Plant and Equipment at Cost :		
Office Equipment	8,000	
Furniture and Fittings	2,500	
Motor vehicle	2,000	
Accumulated Depreciation as at 01 st April 2023:		
Office Equipment		2,000
Furniture and Fittings		1,250
Motor vehicle		500
Sales		77,500
Purchases	46,300	
Inventory as at 01 st April 2023	7,900	

Sandeepa Jayasekera - JMC

77

Description	Dr.	Cr.
Trade Payables		3,250
Cash at Bank	1,000	
Cash in Hand	70	
Bank Loan		500
Salaries and Wages	12,800	
Insurance	240	
Security Charges	800	
Electricity	2,250	
Sales Commission	900	
Office Rent Paid	2,600	
Capital Account as at 01stApril 2023		4,610
Total	89610	89610

Sandeepa Jayasekera - JMC

78

Following additional information was provided.

- (1) The closing Inventory as at 31st March 2024 was valued at cost of Rs. 5,200,000/-.
- (2) Electricity bill of Rs. 32,000/- for the month of March 2024 has not been paid as at 31st March 2024.
- (3) On 01st January 2024, a bank loan of Rs.500, 000/- has been obtained from ABC Bank to Expand the business and agreed to pay interest of Rs.15, 000/- monthly and to settle the Loan in full within 12 months. Nimsara has neither paid the agreed interest nor the capital For the period from January 2024 to March 2024.
- (4) The policy of the business is to provide the depreciation on the straight-line basis at cost as Follows:

Office Equipment	: 20% per annum
Furniture and Fittings	: 20% per annum
Motor vehicle	: 25% per annum

- (4) The rent agreement of the office was entered into on 01st September 2023 by paying 6 Months' rent also as key money which will be refunded at the end of the agreement period, i.e. After 2 years. Monthly office rent is Rs. 200,000/-.
- (6) Nimsara decided to write-off a long outstanding debtor balance of Rs. 50,000/- as a bad debt and to make a doubtful provision of 5% from the remaining trade receivable balance as at 31st March 2024.

You are required to:

Prepare the following:

- (a) Statement of Comprehensive Income for the year ended 31st March 2024. (12 marks)
- (b) Statement of Financial Position as at 31st March 2024. (08 marks)

2024 January Q6

Nihal Electricals is a sole proprietorship owned by Nihal. The Trial Balance of Nilal Electricals as at 31" March 2023 was as follows: Rs. 000'

Description	Dr.	Cr.
Plant and Equipment at Cost:		
Plant and Machinery	7,000	
Furniture and Fittings:	4,000	
Office Equipment	1,000	
Accumulated Depreciation as at 01" April 2022:		
Plant and Machinery		2,200
Furniture and Fittings:		600
Sales		62,900
Purchases	38,000	
Transport Expenses:	900	
Inventory as at 01" April 2022	2,800	

Sandeepa Jayasekera - JMC

81

Description	Dr.	Cr.
Trade Receivables	9,500	
Trade Payables		15,900
Cash at Bank	3,500	
Cash in Hand	460	
Bank Loan		1,000
Water	2,500	
Salaries and Wages	11,000	
Insurance	260	
Electricity	7,850	
Telephone Charges	350	
Office Rent	2,200	
Bank Charges	40	
Capital Account as at 01 st April 2022		8,760
Total	91,360	91,360

Sandeepa Jayasekera - JMC

82

The following additional information is also provided:

- (1) The closing inventory as at 31st March 2023 was valued at cost of Rs. 9,270,000/-
- (2) On 01st October 2022, a loan of Rs. 1,000,000/- was obtained from a bank at an interest rate of 20% per annum. On the same date, office equipment of Rs. 1,000,000/- was purchased using this loan. Capital repayments of the loan was started from 01st April 2023 and Interest for the year was not accounted in the books of accounts.
- (3) The policy of the business is to provide depreciation on the straight-line basis at cost as follows:
- | | |
|------------------------|-----------------|
| Plant and Machinery | : 20% per annum |
| Furniture and Fittings | : 20% per annum |
| Office Equipment | : 15% per annum |
- (4) Insurance of Rs. 260,000/- is relevant for the period from 01st January 2023 to 31st December 2023.

(5) Nihal decided to write-off a receivable balance of Rs. 50,000/- which is receivable from Silva as a bad debt.

(6) The following expenses for the month of March 2023 have not been accrued in the books of accounts:

Rent	: Rs. 200,000/-
Electricity	: Rs. 135,000/-

You are required to:

Prepare the following:

- (a) Statement of Comprehensive Income for the year ended 31st March 2023. (11 marks)
- (b) Statement of Financial Position as at 31st March 2023. (09 marks)

2023 July Q6

Imandi Beauty Centre is a sole proprietorship owned by Imandi. The Trial Balance of Imandi Beauty Centre as at 31st March 2023 is as follows:

Imandi Beauty Centre Trial Balance as at 31st March 2023 Rs. 000

Description	Dr.	Cr.
Plant and Equipment at Cost:		
Beauty Equipment	3,500	
Furniture & Fittings	5,200	
Accumulated Depreciation as at 01st April 2022:		
Beauty Equipment		625
Furniture & Fittings		400
Sales		74,100
Purchases	52,000	
Inventory as at 01st April 2022	1,750	

Sandeepa Jayasekera - JMC

85

Description	Dr.	Cr.
Trade Receivables	3,500	
Trade Payables		1,050
Cash in hand	75	
Bank Loan		560
Security Expenses	350	
Electricity	1,650	
Salaries and Wages	7,000	
Bank Loan Interest	200	
Office Rent Paid	2,600	
Transport	300	
Water	150	
Capital Account as at 01st April 2022		1,540
Total	78,275	78,275

Sandeepa Jayasekera - JMC

86

The following additional information is also provided:

1. The closing inventory as at 31st March 2023 was valued at cost of Rs.6,750,000/-.
2. On 31st March 2023, one of Imandi's friends supplied furniture of Rs.500,000/- to Imandi's Business and Imandi agreed to settle the amount in April 2023. This transaction has not been recorded in the books of accounts.
3. The policy of the business is to provide depreciation on the straight-line basis at cost as follows:

Beauty Equipment : 25% per annum
Furniture & Fittings : 20% per annum
4. On 01st April 2022, Imandi entered into a new rent agreement. As per the agreement, monthly rental is Rs.200,000/-. Rent for the month of April 2023 has also been paid in March.

5. Due to lack of cosmetic products in the open market, Imandi has purchased some items from Thailand during her personal tour using her personal credit card on 20th March 2023. Cost of the items bought from Thailand was Rs.900,000/- and she agreed to add the value as additional capital to the business. However, this entire transactions on this regard had not been recorded in the books of account of Imandi's Business. Further, this stock has been sold during the month of March 2023 and sales transaction has been correctly recorded in the books of accounts.

6. Imandi decided to write off a balance receivable of Rs.155,000/- from ABC Ltd. as a bad debt.

7. Electricity Bill of Rs.78,000/- for the month of March 2023 has not been paid as at 31st March 2023.

You are required to:

Prepare the following:

Statement of Comprehensive Income for the year ended 31st March 2023. (11 marks)

Statement of Financial Position as at 31st March 2023. (09 marks)

2023 January Q6

Amal Traders is a sole proprietorship owned by Amal. The Trial Balance of Amal Traders as at 31st March 2022 is as follows:

Amal Traders rial Balance as at 31st March 2022 (Rs.'000)

Description	Dr.	Cr.
Plant and Equipment at Cost:		
Machinery	3,000	
Computers	1,800	
Accumulated Depreciation as at 01st April 2021:		
Machinery		1,500
Computers		450
Sales		252,000
Purchases	177,000	
Import Duty on Purchases	1,500	

Description	Dr.	Cr.
Trade Receivables	20,200	
Trade Payables		6,000
Cash in hand and at bank	85	
Inventory as at 01st April 2021	12,150	
Water	150	
Electricity	3,450	
Salaries and Wages	45,000	
Office Rent	6,000	
Transport Expenses	4,800	
Bank Loan Interest Paid	1,200	
Telephone and Internet Charges	500	
Capital Account as at 01st April 2021		11,385
Bank Loan		5,500
Total	276,835	276,835 ⁹⁰

The following additional information is also provided:

1. The closing inventory as at 31st March 2022 was valued at cost of Rs.7,750,000/-.
2. On 01st January 2022, a delivery van, value of Rs.2,000,000/- owned by Amal was transferred to the business, but it was not recorded in the books of accounts of Amal Traders.
3. The policy of the business is to provide depreciation on the straight-line basis at cost as follows:

Machinery	:	20% per annum
Computers	:	25% per annum
Motor Vehicles	:	25% per annum
4. Electricity bill of Rs.75,000/- and water bill of Rs.22,000/- for the month of March 2022 have not been paid by 31st March 2022.
5. Due to the economic crisis, a customer was declared bankrupt and the balance of Rs.75,000/- due from him was decided to be written-off by Amal as a bad debt.

6. Interest on bank loan for the month of March 2022 was Rs.100,000/- and it was paid in April 2022.

You are required to:

Prepare the following:

- a. Statement of Comprehensive Income for the year ended 31st March 2022. (11 marks)
- b. Statement of Financial Position as at 31st March 2022. (09 marks) (Total 20 marks)

2022 July Q6

Thimira Traders is a sole proprietorship owned by Thimira. The Trial Balance of the Thimira Traders as at 31st March 2022 is as follows:

Thimira Traders Trial Balance as at 31st March 2022 (Rs.'000)

Description	Dr.	Cr.
Property, Plant and Equipment at Cost:		
Machinery	2,000	
Furniture and Fittings	800	
Accumulated Depreciation as at 01st April 2021:		
Machinery		400
Furniture and Fittings		320
Sales		202,000
Purchases	124,000	
Discounts Given	4,000	

Sandeepa Jayasekera - JMC

93

Description	Dr.	Cr.
Trade Receivables	20,200	
Trade Payables		3,000
Cash in hand	95	
Bank Overdraft		1,050
Inventory as at 01st April 2021	13,950	
Electricity	3,250	
Salaries and Wages	42,000	
Overdraft Interest	500	
Bank Loan Interest	1,100	
Travelling and Transport	7,200	
Office Rent	2,800	
Capital Account as at 01st April 2021		7,625
Bank Loan		7,500

Sandeepa Jayasekera - JMC

94

The following additional information is also provided:

1. The closing Inventory as at 31st March 2022 was valued at cost of Rs.8,250,000/-.
2. On 01st April 2021, a lorry owned by Thimira was transferred to the business and the value of the lorry as at 01st April 2021 was Rs.1,000,000/-. However, this was not recorded in the books of accounts.
3. The policy of the business is to provide depreciation on the straight-line basis at cost as follows:

Machinery	: 10% per annum
Furniture and Fittings	: 20% per annum
Motor Vehicles	: 25% per annum
4. On 01st April 2021, Thimira Traders entered into a new rent agreement for office premises. As per the new agreement, monthly rent is Rs.200,000/- and rent for the months of April and May 2022 was also paid during the year.

5. Electricity bill of Rs.85,000/- for the month of March 2022 has not been paid by 31st March 2022.

6. Thimira has decided to write off Rs.200,000/- due from ABC (Pvt) Ltd as bad debt.

You are required to:

Prepare the following:

- a. Statement of Comprehensive Income for the year ended 31st March 2022. (11 marks)
- b. Statement of Financial Position as at 31st March 2022. (09 marks) (Total 20 marks)

2022 January Q6

Sunshine Traders is a sole proprietorship. The Trial Balance of the Sunshine Traders as at 31st March 2021 is as follow:

Sunshine Traders Trial Balance as at 31st March 2021 (Rs.'000)

Description	Dr.	Cr.
Property, Plant and Equipment at Cost:		
Land and Building (cost of the land - Rs.6,000,000)	16,000	
Motor Vehicles	2,800	
Office Equipment	900	
Accumulated Depreciation as at 01st April 2020:		
Building		2,000
Motor Vehicles		600
Office Equipment		450
Sales		125,000
<small>Sandeepa Jayasekera - JMC</small>		

Purchases	76,000	
Trade Receivables	7,200	
Trade Payables		3,200
Cash in hand	900	
Bank Overdraft		1,750
Inventory as at 01st April 2020	6,900	
Electricity	3,200	
Salaries and Wages	30,000	
Telephone Charges	2,000	
Advertising	4,000	
Showroom rent paid	550	
Printing and Stationery	1,200	
Interest on Bank Overdraft	300	
Bank Charges	50	
Capital Account as at 01st April 2020		19,000
<small>Sandeepa Jayasekera - JMC</small>		
	152,000	152,000

The following additional information is also provided:

1. The closing inventory as at 31st March 2021 was valued at cost of Rs.7,200,000/-.
2. Sunshine Traders purchased a Motor Bike for Rs.300,000/- on 01st January 2021 on credit from City Riders Ltd. This was not recorded in the books of accounts of Sunshine Traders for the year ended 31st March 2021.
3. The policy of the business is to provide depreciation on straight-line basis at cost as follows:

Building	: 5% per annum
Motor Vehicles	: 20% per annum
Office Equipment	: 20% per annum
4. The rent agreement of the showroom was entered into on 01st April 2020 for a period of one year. Monthly showroom rent is Rs.50,000/-.

5. The following expenses for the March 2021 has not been accrued in the books of accounts:

- | | |
|------------------|-----------------|
| Electricity bill | : Rs. 175,000/- |
| Advertising | : Rs. 25,000/- |

6. After evaluating the trade receivables balance as at 31st March 2021, the owner of Sunshine Traders has decided to write off a balance of Rs.800,000/- as bad debt.

You are required to:

Prepare the following:

- a. Statement of Comprehensive Income for the year ended 31st March 2021. (12 marks)
- b. Statement of Financial Position as at 31st March 2021. (08 marks) (Total 20 marks)

2021 July Q6

Milky Traders is a sole proprietorship. The Trial Balance of the Milky Traders as at 31st March 2021 is as follow:

Milky Traders Trial Balance as at 31st March 2021 (Rs.'000)

Description	Dr.	Cr.
Property, Plant and Equipment at Cost:		
Land and Building (Land value - Rs.1,400,000/-)	3,600	
Motor Lorry	1,600	
Office Equipment	2,000	
Accumulated Depreciation as at 01st April 2020:		
Building		500
Motor Lorry		850
Office Equipment		1,200
Purchases	73,000	
<small>Sandeepa Jayasekera - JMC</small>		

Description	Dr.	Cr.
Inventory as at 01st April 2020	8,200	
Insurance	1,560	
Trade Receivables	7,600	
Trade Payables		5,400
Electricity Expenses	9,600	
Telephone charges	2,100	
Salaries and Wages	22,500	
Bank Charges	1,200	
Rent Income received		1,000
Discounts given	390	
Advertising	1,800	
Capital Account as at 01st April 2020		20,000
Cash in hand and at bank	7,800	
<small>Sandeepa Jayasekera - JMC</small>		
	142,950	142,950

The following additional information is also provided:

1. Closing Inventory as at 31st March 2021 was valued at cost of Rs.10,200,000/-.
2. The policy of the business is to provide depreciation on the straight-line basis at cost as follows:

Building	: 10% per annum
Motor Lorry	: 20% per annum
Office Equipment	: 25% per annum
3. Insurance of Rs.1,560,000/- is relevant for the period from 01st January 2021 to 31st December 2021.
4. Milky Traders has rented out a part of the building to XY Ltd. for Rs.100,000/- per month from 01st April 2020. Rent income for February and March 2021 was received during the April 2021.

5. The following expenses for the month of March 2021 have not been accrued in the books of accounts:

Electricity Bill	: Rs.850,000/-
Salaries and Wages	: Rs.1,800,000/-

6. Due to COVID-19 pandemic, a customer was declared bankrupt and therefore the management has decided to write-off the balance of Rs.100,000/- due from him as a bad debt.

You are required to:

Prepare the following:

- a. Statement of Comprehensive Income for the year ended 31st March 2021. (12 marks)
- b. Statement of Financial Position as at 31st March 2021. (08 marks) (Total 20 marks)

2021 January Q6

Sahana Traders is a sole proprietorship owned by Sahan. The Trial Balance of Sahana Traders as at 31st March 2020 is given below:

Sahana Traders Trial Balance as at 31st March 2020 (Rs.'000)

Description	Dr.	Cr.
Property, Plant and Equipment at Cost:		
Land	2,000	
Building	4,750	
Motor Vehicles	2,500	
Office Equipment	1,700	
Accumulated Depreciation as at 01st April 2019:		
Building		1,250
Motor Vehicles		520
Office Equipment		350

Sales		48,000
Purchases	27,170	
Inventory as at 01st April 2019	2,900	
Capital Account as at 01st April 2019		9,000
Fixed Deposit (invested on 01st October 2019)	1,500	
Trade Receivables	4,100	
Trade Payables		1,895
Electricity	1,200	
Salaries and Wages	6,200	
Transport Expenses	500	
Water	190	
Bank Charges	25	
Rent of the Showroom	1,100	
Interest Income on Fixed Deposit		50
Cash in hand and at bank balances	5,230	
	61,065	61,065

The following additional information is also provided:

1. Closing inventory as at 31st March 2020 was valued at cost of Rs.3,500,000/-.

2. The policy of the business is to provide depreciation on the straight-line basis at cost as follows:

Building : 10% per annum

Motor Vehicles : 25% per annum

Office Equipment : 10% per annum

3. The interest rate applicable for the fixed deposit is 8% per annum and the interest receivable for the month of March 2020 has not been accounted in the books of accounts of Sahana Traders.

4. Bills payable for the month of March 2020, which were not recorded in the books of accounts were as follows:

Electricity : Rs.75, 000/-

Water : Rs.21, 000/-

5. Sahana Traders entered into the rent agreement for showroom on 01st April 2019 and monthly rent of the showroom is Rs.100,000/-.

You are required to:

Prepare the following:

a. Statement of Comprehensive Income for the year ended 31st March 2020. (11 marks)

b. Statement of Financial Position as at 31st March 2020. (09 marks) (Total 20 marks)