

Preparation of Financial Statements

Mr. Shihan Haniff

results of a business for a specific accounting period. These financial statements can be very basically divided into following parts.

1. Statement of Comprehensive Income (Trading profit & loss Account)
2. Statement of Financial Position (Balance Sheet)
3. Statement of Changes in Equity
4. Statement of Cash Flow
5. Notes to the Accounting and Disclosures

If it is a manufacturing business, they will prepare a 'Manufacturing Account' before the trading Account.

1) Trading Profit & Loss Account (Income Statement)

This is the account prepared to compute the profit or the loss of a business for an accounting period of time. It has two parts.

- i) Trading Account
- ii) Profit & loss Account

i) Trading Account

This is prepared to compute the "Gross Profit\Loss" of a business. Gross profit means, the difference between the sales income and the purchasing cost of those sales – i.e. cost of sales.

$$\text{Gross Profit} = \text{Sales Income} - \text{Cost of sales}$$

- **Sales Income**

The income from selling goods (on cash or credit) which were purchase for the purpose of reselling. It is computed as follows.

$$\text{Sales income} = \text{Sales} - \text{Returns inwards}$$

- **Cost of Sales**

The purchase cost of the goods sold within the year.

i.e. all the costs incurred to bring the stock to a saleable condition.

$$\text{Cost of Sales} = \text{Opening Stock} + \text{Purchases} - \text{Closing stock Cost}$$

$$\text{Purchasing Cost} = \text{Purchases} - \text{Returns Outwards}$$

ii) Profit & Loss Account

This is prepared to compute the "Net Profit\Loss" of a business i.e. the account which converts the "Gross Profit" from trading account, to "net Profit\Loss". Hence, followings are included here,

1. The gross profit/loss computed in the trading account.
2. Every other income, which were not in the trading Account.
3. Every other expenditure which were not in the trading Account.

Basic Classification of expenditure in the profit & loss account

- **Administration & Establishment Expenses**

All the expenses incurred for office & administrative purposes

E.g. Rent, Electricity, Rates, Salaries, Stationary, Building depreciation etc.

- **Selling & Distribution Expenses**

Expenses incurred for selling the goods & distributing them

E.g. Advertising, Transportation, Sales commissions, Vehicle depreciation etc.

- **Financial Costs**

These are the maintenance expenses of cash & funds.

E.g. Loan interests, Bank overdraft interests, lease interests etc.

- **Other Expenses & Losses**

All other expenses – including some extra ordinary transactions.

E.g. Cash shortages, Damages from fire, Fixed assets disposal losses etc.

2) Balance Sheet (Statement of Financial Position)

This is the statement which presents the financial position & financial composition of a business as at a particular date i.e., this will consist of assets, liabilities and equity of the business.

This could be presented in two ways

1. Vertically

Assets	xxx
Equity	xxx
Liabilities	xxx

2. Horizontally

Equity	xxx	Assets	xxx
Liabilities	xxx		
Total Equity & Liabilities	xxx	Total Assets	xxx

Formats

ABC Business
Statement of Comprehensive Income
For the year ended 31.03.2017

Sales		1550	
(-) Returns inwards		(50)	1500
<u>Cost of Sales</u>			
Opening Stock		150	
Add			
Purchases	400		
Carriage inwards	10		
Tariffs	55		
	465		
(-) Returns outwards	(15)	450	
		600	
(-) Closing stock		(200)	(400)
Gross Profit			1,100
<u>Other income & Profits</u>			
Discounts received		50	
Commission received		40	
Disposal Profit		20	
Interest received		70	
Interest income		20	200
			1,300
<u>Administration & Establishment Expenses</u>			
Rent	10		
Insurance	20		
Rates	30		
Electricity	40		
Fixed assets Depreciation - Building, Furniture	50		
Salaries & Wages	10		
Telephone	20		
Water	30		
Stationary	40		
Professional fees	50	200	
<u>Selling & Distribution Expenses</u>			
Sales commissions	10		
Advertising	20		
Vehicle Depreciation	30		
Vehicle maintenance	40		
Bad debts	50		

Discounts allowed	10		
Provisions for bad debts	20	130	
<u>Financial Expenses</u>			
Bank Charges	10		
Bank Overdraft Interest	20		
Interest expenses	30	60	
<u>Other expenses</u>			
Stock Damages/ Losses	60		
Donations	40		
Disposal Losses	10	110	(500)
Net profit for the year			800

ABC Business
Statement of Financial Position
As at 31.03.2017

	COST	ACC DEP	WDV
<u>Non - Current Assets</u>			
Land	1,000	600	400
Building	400	300	100
Machinery	600	400	200
Motor vehicle	500	200	300
Furniture & Fittings	700	100	600
	2,800	1,200	1,600
Investments			250
Fixed Deposit			50
Goodwill			100
			2,000
<u>Current Assets</u>			
Closing stock		200	
Trade Debtors	155		
(-) Provision for bad debts	(15)	140	
Bills receivable		10	
Prepayments		20	
Income receivables		30	
Bank balance		40	
Cash in hand		60	500
Total Assets			2,500
<u>Financed By</u>			
Capital		600	
(+) Profit for the year		800	
		1,400	

(-) Drawings		(200)	1,200
<u>Non – Current Liabilities</u>			
Bank Loans		500	
Mortgage Loans		300	800
<u>Current Liabilities</u>			
Accrued Expenses		100	
Creditors		250	
Bill payable		50	
Bank overdraft		100	500
<u>Total Equity & Liabilities</u>			<u>2,500</u>



1) 2018 JAN

Rahal Motors is a sole proprietorship which sells motor cycles. The trial balance of Rahal Motors as at 31st March 2017 is as follows:

Rahal Motors
Trial balance as at 31st March 2017 (Rs.000)

Description	Dr.	Cr.
Property ,plant and equipment (at cost):		
Land	4,000	
Buildings	2,500	
Computers	800	
Delivery lorry	1,250	
Accumulated Depreciation as at 01 st April 2016:		
Buildings		500
Computers		250
Delivery lorry		520
Sales		27,000
Purchases	18,000	
Stocks as at 01st April 2016:	6,400	
Trade receivables	2,000	
Trade payables		3,000
Provision for doubtful debts as at 01 st April 2016:		150
Bank overdraft interest	100	
Electricity	450	
Insurance	900	
Cash in hand	250	
Bank overdraft		300
Salaries to staff	1,100	
Sales commission	250	
Capital as at 01 st April 2016:		6,280
	38,000	38,000

The following additional information is also provided:

1. Closing stock as at 31st march 2017 was valued at Rs.5,750,000/-

2. Insurance of Rs.900,000/- has been paid for the period from 01st July 2016 to June 2017.
3. Depreciation on property, plant and equipment is provided based on the straight-line basis at cost as follows:

Buildings	:	5%
Computers	:	25%
Delivery lorry:		10%
4. Owner of Rahal motors decided to write-off Rs.50,000/- from Arun, a trade receivable as bad debts, and to make a general provision of 10% for doubtful debts on the balance remaining trade receivable balance as at 31st march 2017.
5. Unpaid electricity bill for the month of march 2017 was Rs.50,000/-

You are required to:

Prepare the following:

- (a) Statement of comprehensive income for the year ended 31st March 2017. (11 Marks)
- (b) Statement of Financial position 31st March 2017.(09 Marks)

(Total 20 Marks)



2) 2017 JUL

NN Trade is a sole proprietorship owned by nishantha. The trail balance of NN Trade as at 31st March 2017 is given below.

NN Trade
Trial balance as at 31st March 2017 (Rs.000)

Description	Dr.	Cr.
Property ,plant and equipment (at cost):		
Land and Buildings	10,000	
Office Equipment	6,500	
Furniture and fittings	5,000	
Accumulated Depreciation as at 01 st April 2016:		
Buildings		2,600
Office Equipment		1,500
Furniture and fittings		2,500
Stocks as at 01 st April 2016:	2,800	
Trade receivables/ Trade payables	18,500	
Drawings	1,300	
Provision for doubtful debts as at 01 st April 2016:		750
Purchases / sales	20,000	37,000
Showroom Rent	1,500	
Electricity	2,550	
Water	1,500	
Salaries and Wages	3,500	
Office maintenance Expenses	1,650	
Cash in bank	3,700	
Cash in hand	1,900	
Advertising expenses	1,100	
Capital as at 01 st April 2016:		20,550
	81,500	81,500

The following additional information is also provide:

- 1) The closing stock as at 31st March 2017 is valued as follows:

	Rs
At cost	5,400,000
At net realizable value(NRV)	5,450,000

- 2) Value of the Land is Rs.4,000,000/- and the depreciation policy of the business is to depreciate the property, plant and Equipment on the straight-line basis at cost using the following rates:

Buildings	10% per annum
Office Equipment	20% per annum
Furniture and fittings	25% per annum

- 3) Nishantha decided to write off the balance receivable from Ruwan amounting to Rs.500,000/- as bad debt and a general provision of 5% for doubtful debt
- 4) Nishantha opened a new showroom of NN Traders on 01st April 2016 and the rent for the new showroom is Rs.150,000/- per month.



3) 2017 JAN

Rasika Trading is a sole proprietorship owned by Rasika. The trail balance of Rasika trading as at 31st March 2016 is as follows:

Rasika Trading
Trial balance as at 31st March 2016 (Rs.000)

Description	Dr.	Cr.
Property ,plant and equipment (at cost):		
Land and Buildings(Land is Rs.5,500,000/-)	25,000	
Delivery vehicle	4,400	
Office Equipment	2,750	
Accumulated Depreciation as at 01 st April 2015:		
Buildings		5,000
Delivery vehicle		1,440
Office Equipment		540
Stocks as at 01 st April 2015:	3,850	
Trade receivables/ Trade payables	6,500	7,600
Provision for doubtful debts as at 01 st April 2016:		620
Purchases / sales	15,000	35,500
Drawings	1,200	
Salaries and Wages	6,500	
Insurance	1,830	
Electricity	3,800	
Sales commission	2,150	
14% bank lone		9,500
Cash in hand	2,620	
Bank overdraft		1,900
Capital as at 01 st April 2015:		14,000
	76,100	76,100

The followings additional information is also provide:

- 1) Closing stock as at 31st March 2016 was valued at Rs.3,450,000/-
- 2) Receivables from ganga distribution amounting to Rs.150,000/- to be written off as a bad debt and a general provision of 2% for doubtful debt to be made for the receivables balance at the year end.

- 3) The policy of the business is to provide depreciation on the straight-line basis on cost at following rates:

Buildings	5% per annum
Delivery vehicle	20% per annum
Office Equipment	12% per annum

- 4) The electricity bill of Rs.355,000/- for the month of march 2016 was not settled as at 31st March 2016.
- 5) The bank lone was obtained on 01st April 2015.It should be payable in two equal annual installment. First annual interest is due as at 31st March 2016 and it has been paid on 10th April 2016
- 6) Insurance expense of Rs.530,000/- is relevant for the next financial year of 2016/17



4) 2016 JULY

The trial balance of Shantha Tyre Traders as at 31st March 2016 is given below. Shantha Tyre Traders is a sole proprietorship owned by Shantha.

Trial balance as at 31st March 2016

(Rs.000)

Description	Dr.	Cr.
Property ,plant and equipment (at cost):		
Land and Buildings(Land is Rs.1,500,000/-)	12,000	
Motor vehicle	7,500	
Furniture and fittings	5,500	
Accumulated Depreciation as at 01 st April 2015:		
Buildings		1,038
Motor vehicle		3,280
Furniture and fittings		2,200
Stocks as at 01st April 2015:	3,500	
Drawings	190	
Provision for doubtful debts as at 01 st April 2016:		23
Trade receivables/ Trade payables	4,333	2,662
Purchases / sales	35,000	54,500
Electricity and water charges	1,045	
Salaries and Wages	1,947	
Sales commission	930	
Carriage inwards	450	
Discount received		35
Rate	537	
Advertising expenses	2,590	
Capital as at 01 st April 2015:		20,660
12% bank lone		4,500
Cash in hand	8,219	
Cash in bank	5,157	
	88,898	88,898

The following additional information is also provided:

- 1) Closing stock as at 31st March 2016 was valued at Rs.1,320,111/-
- 2) The policy of the business is to provide depreciation on the straight line basis at cost as follows:
- 3) A Trade receivable balance of Rs.33,000/- as at 31st March 2016 from Leena was decided to be written off as a bad debt and a general provision for doubtful debts of 5% should be provided on remaining trade receivable balance at the year end
- 4) A sales commission of 2% on sales should be paid salesmen.
- 5) The 12% bank loan was obtained on 01st March 2016 and it should be settled in 12 equal monthly installments with interest starting from 01st April 2016.

You are required to,

Prepare the following:

- (a) Statement of comprehensive income for the year ended 31st March 2016.(12 marks)
- (b) Statement of Financial position as at 31st March 2016.(08 marks)

(Total 20 marks)



5) 2016 JAN

The Trial balance of Star Bath Enterprises as at 31st December 2015 is given below. Star Bath Enterprises is a sole proprietorship owned by Nimal.

Trial balance as at 31st December 2015 (Rs.000)

Description	Dr.	Cr.
Property ,plant and equipment (at cost):		
Land and Buildings(Land is Rs3,000,000/-)	10,000	
Motor vehicle	5,500	
Furniture and fittings	3,500	
Accumulated Depreciation as at 01 st April 2015:		
Buildings		1,200
Motor vehicle		1,500
Furniture and fittings		750
Stocks as at 01st January 2015:	650	
Provision for doubtful debts as at 01 st January 2016		32
Capital as at 01 st January 2016		13,000
Drawings	150	
Sales return	150	
Purchase return		80
Trade Debtors/ Trade Creditors	3,700	2,183
Cash in hand	2,500	
Bank overdraft		110
Consultancy fee – Business Development officer	210	
bank lone		3,100
Damaged stocks	185	
Salaries and Wages	1,410	
Sales commission	535	
Purchases / sales	22,000	30,000
Import duty	325	
Carriage outwards	180	
Electricity and Water	433	
Rates Paid	300	

Advertising expenses	1,050	
Discount allowed	77	
	52,855	52,855

The following additional information is also provided:

- 1) Closing stock as at 31st December 2015 is valued as Follows:
- 2) Nimal has transferred his personal three wheeler worth Rs.175,000/- to the Star Bath Enterprises as at 31st December 2015, and this was not recorded in the books of account.
- 3) A motor Vehicle was acquired for Rs.1,200,000/- on 01st July by Nimal to be used in the business.
- 4) Policy of the business is to depreciate its assets based on the straight-line basis using the following rates, at cost

Buildings	10% per annum
Motor vehicle	20% per annum
Furniture and fittings	25% per annum

- 5) During the year, Kaml a trade debtor informed that he is unable to pay the balance due of Rs.55,000/- and Nimal decided to write of this balance.
- 6) It is the policy of the business to maintain a provision for doubtful debts at 5% on the outstanding trade debtors balance.
- 7) Nimal wanted to expand the business and hired a business development officer as a consultant on contract basis. The contract commenced on 01st May 2015. Monthly consultancy fee is Rs.30,000/-
- 8) When paying the water bill for December 2015 on 28th December 2015, Rs.10,000/- has been paid in excess.

You are required to,

Prepare the following:

- (a) Statement of Comprehensive Income for the year ended 31st December 2015.
- (b) Statement of Financial position as at 31st December 2015.

(Total 20 marks)

6) 2015 JUL

The Trial Balance of Soft Toys Enterprise as at 31st March 2015 is given below: Soft Toys Enterprise is a sole Proprietorship owned by Lasantha:

Trial balance as at 31st March 2015

(Rs.000)

Description	Dr.	Cr.
Property ,plant and equipment (at cost):	50,000	
Accumulated Depreciation		11,500
10% fixed Deposit	10,000	
Trade Receivables	15,622	
Provision for doubtful debts as at 01 st January 2014		3,300
Rates Payables		4,200
Prepaid Expenses	1,000	
Accrued Expenses		5,000
Cash in hand	1,035	
Cash at bank		1,330
Capital as at 01 st January 2014		34,000
Drawings	540	
Sales return	15,060	
Purchase return		9,600
Discount allowed	200	
Sales		174,630
Purchase	105,625	
Inventories as at 01 st April 2014	9,975	
Other Income		120
Selling & Distribution Expenses	14,514	
Administration expenses	16,700	
Financial Expenses	3,409	
	243,680	243,680

The Following additional information is also provided:

- 1) The cost of the inventories held as at 31st March 2015 was rs.20,000,000/- and the net realizable value (NRV) of the same was Rs.26,000,000/-
- 2) Interest on fixed deposit for the year has neither been received nor accounted for in the books of accounts as at 31st March 2015.
- 3) As at 31st March 2015, provision for doubtful debts was reassessed and it has to be increased to Rs.3,700,000/-
- 4) Rent of Rs.1,230,000/- paid for the next year was recorded under Administration expenses.



7) 2015 JAN

Cooray is a sole proprietor running the business "Cooray Enterprises" The following Trial balance was extracted from the books of Cooray Enterprises as at 31st March 2014

Description	Dr.	Cr.
Capital as at 01 st January 2014		3,800,000
Bank balance	274,000	
Cash in hand	36,000	
Trade Receivables	1,300,000	
Trade Payables		590,000
Inventories as at 01 st April 2013	400,000	
Sales		6,300,000
Purchase	3,200,000	
Land and Building (Land – Rs.1,800,000/-)	3,800,000	
Office equipment	500,000	
Motor vehicles	3,500,000	
Accumulated Depreciation as at 01 st April 2013		
Building		500,000
Office equipment		250,000
Motor vehicle		2,500,000
Bank Loan at 10%		1,000,000
Rent paid for the branch shop	1,100,000	
Administration Expenses	500,000	
Distribution Expenses	200,000	
Financial Expenses	130,000	
	14,940,000	14,940,000

The following additional information is also provided:

1) Inventories as at 31st March 2014 were valued as follows:

	Rs
At cost	900,000
At net realizable value	940,000

- 2) A debtor amounting to Rs.150,000/- was decided to be written-off as bad debt at the end of the year
- 3) A rent agreement was entered on 01st April 2013 for 2 years period for the branch shop. Monthly rent is Rs.100,000/-
- 4) Insurance premium on office building of Rs.240,000/- which has been debited to administration expenses was paid for 12 months from 30th June 2013.
- 5) Cost of goods taken by Cooray during the year for his personal use was Rs.200,000/- This has not be recorded in the books of accounts.
- 6) The policy of the business is to provide depreciation on the straight-line basis at cost as follow

Building	5% per annum
Office equipment	20% per annum
Motor vehicle	20% per annum

- 7) Unpaid telephone and electricity bill for the months of March 2014 were Rs.8,000/- and Rs.12,000/- respectively.
- 8) The bank loan should be settled in full during the next year and interest on bank loan for the year has been correctly recorded under finance expenses.

You are required to Prepare,

For Cooray Enterprises,

- (a) Income statement (Trading, profit & Loss account) for the year ended 31st March (13 marks)
- (b) Statement of financial position (Balance sheet) as at 31st March 2014.(12 marks)

(Total 25 marks)

8) 2014 JULY

Kasun is a sole proprietor. The following trial balance was extracted from the books of Kasun Electricals as at 31st March 2014.

Description	Dr.	Cr.
Freehold Land –at cost	1,520,000	
Buildings – at cost	1,910,000	
Office Equipment - at cost	1,668,000	
Accumulated Depreciation – as at 01 st April 2013		
Buildings		570,000
Office Equipment		410,000
Inventories as at 01 st April 2013	220,000	
Trade Receivables	1,000,000	
Cash in hand and at Bank	130,000	
Trade payables		668,000
Long term loan		600,000
Capital account as at 01 st April 2013		3,600,000
Sales		3,000,000
Purchases	1,430,000	
Salaries and wages	450,000	
Electricity Expenses	120,000	
Telephone Expenses	56,000	
Advertising Expenses	35,000	
Interest Expenses on loan	75,000	
Insurance premium on buildings	120,000	
Distribution Expenses	14,000	
Discount Allowed	100,000	
	8,848,000	8,848,000

The following additional information is also provided:

- 1) Inventories as at 31st march 2014 were valued as follows:

	Rs
At cost	275,000
At net realizable value	200,000

- 2) Policy of the business is to provide depreciation on the straight line basis at cost as follows:

Buildings	5% per annum
Office equipment	20% per annum

- 3) A credit sale invoice of Rs.125, 000/- made to AQR Ltd. On 31st march 2014 has not been recorded in the books of account.
- 4) A trade debtor Dickman whose outstanding balance of Rs.5, 000/- as at 31st march 2014 was decided to be written off as bad debts.
- 5) Unpaid telephone and electricity bills for the months of March 2014 were Rs. 5, 000/- and Rs.8, 000/- respectively.
- 6) Insurance premium on building has been paid for 12 months from 01st January 2014.
- 7) Bank charges of Rs.15, 000/- for the month of March 2014 has not been recorded in the books of accounts.

You are required to Prepare,

For Kasun Electricals,

- (a) Income Statement (Trading, Profit, & Loss Account) for the year ended 31st march 2014 (14 marks)
- (b) Statement of Financial Position (balance sheet) as at 31st march 2014 (11 marks)

(Total 25 marks)



9) 2012 July

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 – as at 01 st April 2012	750,000
Profit for the year ended - 31 st March 2012	1,150,000
Inventories 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 installment	500,000
Capital – 01 st April 2011	2,694,000
Drawing	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 months of march 2012:
- 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)

10) 2014 JAN

Damith is a sole proprietor and the following Trial balance was extracted from the books of Damith Traders, as at 31st March 2013:

Description	Dr.(Rs.000)	Cr. (Rs.000)
Capital Account as at 01 st April 2012		8,000
Sales		3,080
Purchases	1,100	
Carriage Inwards	108	
Return Inwards	20	
Return Outwards		65
Land & Building at cost (Land - Rs. 2,000,000/-)	6,000	
Office Equipment at cost	3,450	
Accumulated Depreciation as at 01 st April 2012		
Buildings		600
Office equipment		800
Trade Receivables	750	
Trade payables		825
Distribution Expenses	165	
Inventories as at 01 st April 2012	650	
Electricity charges	130	
Telephone charges	150	
Salaries and wages	220	
Discounts Allowed / Discounts Received	32	25
Cash in hand	620	
	13,395	13,395

The following additional information is also provided:

- 1) Damith carried out a physical count of the trading stocks on 31st March 2013 and valued as follows:
- 2) Electricity bill for 3 months ended 31st March 2013 of Rs. 15,000/- and salaries of Rs.20,000/- for March 2013, were paid on 15th April 2013.
- 3) A debtor amounting to Rs.2,000/- was decided to be written off as bad debts.
- 4) Depreciation on property plant & Equipment is provided on the straight line basis at cost as follows:
- 5) Damith has paid his life insurance premium amounting to Rs.25,000/- from the business on 20th March 2013 and this has not been recorded in the books of accounts.

- 6) On 31st March 2013 night after closing for business, Damith carried out a physical count of the cash in hand and ended up with a balance of Rs.560,000/-, His investigation into the reasons for the physical balance not being in agreement with the book balance , revealed that none of the cash drawing have been recorded in the books of accounts.

You are required to Prepare,

For Damith Traders,

- (a) Statement of Income (Trading, Profit,& Loss Account) for the year ended 31st march 2013 (14 marks)
- (b) Statement of Financial Position (balance sheet) as at 31st march 2013 (11 marks)

(Total 25 marks)



11) 2013 JULY

Wonder Traders, is a sole proprietorship. The following trial balance was extracted from the book of account of Wonder Traders as at 31st March 2013:

Description	Dr.(Rs.000)	Cr. (Rs.000)
Sales		14,000
Purchases	8,850	
Inventories as at 01 st April 2012	850	
Administration Expenses	2,010	
Selling Expenses	975	
Interest on bank overdraft	50	
Property, plant and Equipment – at cost	6,290	
Accumulated Depreciation as at 31 st March 2013		1,120
Trade Receivables	3,300	
Fixed Deposit (Interest at 12% per annum)	1,200	
Drawing	40	
Cash in hand	615	
Bank loan (Interest at 15% per annum)		2,000
Trade payables		1,600
Bank Overdraft		125
Accrued salaries		65
Capital Accounts as at 01 st April 2012		5,270
	24,180	24,180

The following additional information is provided:

- 1) Physically counted inventories as at 31st March 2013 were valued as following:

At cost	Rs.910,000/-
At net realizable value	Rs.950,000/-

- 2) Unpaid electricity and telephone bills for the month of march 2013 were Rs.10,000/- and Rs.12,000/- respectively.
- 3) An accounts of Rs.7,000/- due from a bankrupt customer was decided to be written-off as bad debt.
- 4) Investment on fixed deposit was made on 01st October 2012.
- 5) The bank loan was obtained on 31st March 2013 and it should be settled within 12

months in equal monthly installment with interest starting from 01st of April 2013.

- 6) Administration expenses include an annual insurance premium payment of Rs.40,000/- for a van which was purchased on 01st October 2012. For Rs.1,000,000/- included in property, plant & Equipment Depreciation for the year on property, plant & Equipment except this van has been adjusted in the book of accounts and depreciation has to be provide at 20% per annum at cost of the vehicle on the straight-line basis.
- 7) A sales commission of 0.5% on sales has to be paid to the salesmen.



12) 2013 JAN

Silva Started a baby items shop as Baby corner on 02nd October 2012. A summary of the cash book of the business for the quarter ended 31st December 2012, is given below:

	Dr.(Rs.)		Cr. (Rs.000)
Cash – Capital introduced	500,000	Repair expenses on office building	20,000
Sales - October	900,000	Purchases on cash for resale	500,000
Sales - November	950,000	Payment to trade payable	1,500,000
Sales - December	1,350,000	Salaries	175,000
		Electricity & Telephone bills	38,000
		Computer for office use (Purchased on 01 st December 2012)	60,000
		Staff welfare expenses	12,000
		Sundry expenses	38,000
		Selling expenses	70,000
		Drawings	50,000
		Land (Note 3)	1,000,000
		Balance C/F	237,000
	3,700,000		3,700,000

Following additional information is also available:

- 1) The following payments were made by the owner for the business, on 02nd October 2012:
- 2) Suppliers (trade payables) have granted discount of Rs.50,00/- Defective good of Rs.65,000/- have been returned to the suppliers on 10th November 2012. Trade payables balance as at 31st December 2012 was Rs.500,000/-.
- 3) The land was acquired for Rs.1,500,000/- on 01st December 2012 paying Rs.1,000,000/- by cash. The balance is payable in 20 equal monthly installment of Rs.25,000/- each from 01st January 2013.
- 4) Unpaid Electricity bill for the month of December 2012 is Rs.4,000/-.
- 5) Depreciation on fixed assets except land is provided at cost on the straight-line basis at 20% per annum.
- 6) Inventories have been valued at Rs.550,000/- as at 31st December 2012.
- 7) All sales were on cash basis.

You are required to Prepare,

For Baby corner,

- (a) Trading, profit & lost account for the quarter ended 31st December 2012. (16 marks)
- (b) Statement of financial position (Balance sheet) as at 31st December 2012. (12 marks)



JMC vLearning
"your virtual learning partner"

13) 2012 JULY

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 transaction 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:
- 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:
- 8) Receipts from customers in debt during the month of April 2012 were as follows:
- 9) Cost of goods taken by Kuda Banda for his personal use on 28th April 2012.
- 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 provide on the straight line basis at 12% per annum.

You are required to Prepare,

Little Mod Traders:

- (a) Relevant ledger accounts and the trial balance as at 30th April 2012.(18 marks)
- (b) Trading Profit & loss accounts for the month ended 30th April 2012.(08 marks)

(Total 26 marks)

14) 2012 JAN

Nisan Fashion store is in the business of buying and selling garment. Nisan is the sole proprietor of the business. The Following trail balance was extracted from the books of accounts of his business as at 31st March 2012:

Description	Dr.	Cr.
Freehold Land – at cost	1,500	
Buildings - at cost	500	
Motor vehicle– at cost	2,000	
Furniture and fittings– at cost	100	
Accumulated Depreciation as at 01 st April 2010:		
Buildings		25
Motor vehicle		400
Furniture and fittings		10
Inventory as at 01 st April 2010	200	
Trade receivables	600	
Cash in hand	50	
Bank overdraft		100
Other Receivable	120	
Trade payables		900
Other payables		20
Long term lone		800
Capital accounts - Nisan		1,750
Sales		3,000
Purchases	860	
Salaries and Wages	550	
Electricity expenses	120	
Telephone expenses	56	
Advertising expenses	35	
Fixed Deposits	100	
Interest Income		10
Interest Expenses	75	
Drawings	25	
Insurance premium on building	100	
Distribution Expenses	14	

Discount Allowed	10	
	7,015	7,015

The following additional information is provided:

- 1) The cost of inventory as at 31st March 2011 was Rs.275,000/- and the net realizable value of inventory was Rs.270,000/-
- 2) Depreciation policy of the business is to provide depreciation on the straight line basis as follows:
- 3) Goods valued at Rs.8,000/- (cost) was taken by Nisan for his personal use No entry has been made in the books of accounts in this regard.
- 4) Kiran is a trade debtor of the Nisan Fashion store he was declared bankrupt by the court and his account balance as at 31st March 2011 is Rs,5,000/-. It was decided to write-off dues from him
- 5) Unpaid telephone and electricity bill for the month of March 2011 were Rs.5,000/- and rs.8,000/- respectively.
- 6) Insurance premium on buildings has been paid for 12 months from 01st January 2011.
- 7) Interest on the fixed deposit for the months of march 2011 of Rs.1,600/- has been directly credited to the bank accounts. This has not been recorded in the books of accounts.

You are required to Prepare,

For Nisan Fashion store,

- (a) Trading ,profit & Loss accounts for the year ended 31st March 2011 (15 marks)
- (b) Balance sheet as at 31st March 2011 (10 marks)

(Total 25 marks)



15) 2011 JUN

Ananda started a vehicle paint shop on 01st April 2011. On this date he opened bank accounts with Rs.25,000/-. He has analyzed the bank statements on 30th June 2011, and a summary of it is given below:

Description	Dr.(Rs.000)	Cr. (Rs.000)
Service Revenue		990
Loan from Kumari Hardware Stores (re-payable in 10 equal monthly instalment)	30	300
Sale of van (sold on 01 st April 2011)		405
Paint, metal filler and thinner, ect.	680	
New double cab acquired on 01 st June 2011	628	
Electricity and water bills	7	
Rent paid 01 st April 2011 (8,000 per month)	96	
Vehicle Insurance	10	
Standing order – Saving account of Ranidu	2	
Welding plant acquired on 01 st April 2011	120	
New compressor acquired on 01 st April 2011	40	
Spare parts for repair work	140	
stationary	3	
Total	1,756	1,695

The following additional information is provided:

- 1) The value of equipment he brought to the paint shop on 01st April 2011 was Rs.120,000/-
- 2) A five (05) year life is expected for the double cab with a residual value of Rs.28,000/- and a minimum of 10 years life is expected for all other depreciable assets.
- 3) The cost of paint, Filler and other materials available in the workshop as at 30th June 2011 was Rs.24,000/-
- 4) Ananda has obtained an interest free loan from a related party, Kumari Hardware Stores on 30th May 2011. He paid the first instalment on 30th June 2011
- 5) The bank has been instructed to transfer Rs.1,000/- every month to the saving account of Ranidu, Ananda's daughter
- 6) As at 30th June 2011 Rs.64,000/- was payable to the paint suppliers and the balance due from customers stood at Rs.60,000/-
- 7) The records revealed the following payments made out of daily receipts before banking them.

	Rs
Salaries and wages	90,000
Lottery tickets bought by Ananda	8,000
Cash Drawings	80,000
Tea and lunch for employees	6,000
Fuel	32,000
Sundry Expenses	21,000

8) The cash in hand balance as at 30th June 2011 was Rs.3,000/-



16) 2010 JUN

The trial balance of Basil's business as at 31st March 2010 prepared by an assistant accountant is given below:

	Rs.	Rs.
cash	248,000	
Accounts receivable	337,000	
Inventory – as at 31 st March 2010	450,000	
Furniture and fittings – at cost	850,000	
Accumulated depreciation on furniture & Fittings		180,000
Delivery van – at cost	560,000	
Accumulated depreciation on Delivery van		60,000
Accounts payable		468,000
12% bank loan (obtained on 01 st January 2010)		500,000
capital		980,000
Sales		7,580,000
Sales returns	42,000	
Cost of goods sold	4,974,000	
Salaries	1,320,000	
Advertising	264,000	
Maintenance	140,000	
Repairs	176,000	
Delivery expenses	167,000	
Rent	240,000	
Total	9,768,000	9,768,000

The following additional information is provided:

- 1) The inventory as at 31st march 2010 had been overstated due to an oversight, the correct value should be Rs.400,000/-
- 2) Depreciation has to be provided at 10% per annum on cost for furniture & Fittings and Delivery van on the straight-line basis.
- 3) The computer worth Rs.30,000/- owned by the proprietor was used by the business from 01st October 2009. There is no indication in the accounts in this regard the computer has a further life of 2 2/1 years from 31st March 2010.
- 4) The salaries of Rs.120,000/- payable for March, 2010 has not yet been accounted 40% of the salaries expense is applicable to administration and 60% to selling.
- 5) Rent has been paid for 24 months starting from 01st April 2009

You are required to Prepare,

Of Basil's business,

- (a) Trading ,profit & Loss accounts for the year ended 31st March 2010 (16 marks)
- (b) Balance sheet as at 31st March 2010 (12 marks)

(Total 28 marks)



17) 2010 DEC

Mallika started a retail shop on 01st January 2010 depositing Rs.10,000/- into a bank account. Rs.60,000/- worth of furniture and equipment were brought to the business by Mallika on the same day. The following information was extracted from her records for the three month period ended 31st March 2010:

Cash payments	Electricity	4,000
	Transport	7,000
	Sundry Expenses	3,000
	Suppliers	40,000
	Expenses on business opening day	5,000
Cheque payment	Suppliers	120,000
	Motor bicycle (could use for 3 years and can be sold for Rs.12,000/- after 3 years)	36,000
	Rent (2,000 per month)	24,000
	Settlement of part of the loan - Lalani	12,000
	Painting work of the shop	4,000
Cash Deposit in bank		210,000
Loan from Lalani (Cash)		25,000

The following additional information is provided:

- 1) All sales were on cash basis. Mallika has deposited receipts from sales keeping a cash in hand balance of Rs.5,000/- she has started to withdraw Rs.500/- each daily from the collection (for private use) with effect from 01st March to 31st March 2010.
- 2) Furniture and equipment should be replaced after 4 years, the saleable value of these assets after 4 years would be Rs.12,000/-
- 3) The trade payables as at 31st March 2010 were Rs.13,000/-
- 4) The stock on 31st March 2010 was valued at Rs.23,000/-
- 5) Outstanding bills payable as at 31st March 2010 were:

	Rs.
Electricity	2,000
Water	1,000

You are required to Prepare,

Of the business Of Mallika,

- (a) Trading ,profit & Loss accounts for the three months period ended 31st March 2010
(15 marks)
- (b) Balance sheet as at 31st March 2010 (10 marks)

(Total 25 marks)



18) 2009 DEC

Balian Tea is a tea kiosk established on 01st October 2009. Zoysa, the owner of Balian Tea had not maintained proper books of accounts to record the transaction. However he had recorded all transaction in a book for the three months ended 31st December 2009, the following information was extracted from his record:

- 1) Payment made by Zoysa on 01st October 2009 were as follows:
- 2) Shop renovation expenses of Rs.5,000/- was borne by the owner of the building
- 3) Monthly rent for the building was Rs.8,000/- as per the rent agreement Rs.5,000/- was deducted each month from the advance and the balance was paid at the end of each month.
- 4) Rs.669,000/- had been paid to trade payables (creditors)
- 5) Cash collected from trade receivables (debtors) amounted to Rs.682,000/-
- 6) Cash sales amounted to Rs.200,000/-
- 7) Inventory as at 31st December 2009 had been valued at Rs.85,000/-
- 8) Trade Receivables (debtors) and Trade payables (creditors) as at 31st December 2009 were Rs.18, 000/- and Rs.16, 000/- respectively.
- 9) Electricity & utility bills paid for October and November 2009 were Rs.8,000/- unpaid electricity and utility bills for December 2009 amounted to Rs.3,000/-
- 10) Salaries paid for three assistants amounting to Rs.51,000/-
- 11) All fixed assets including cutlery were to be depreciated at 20% per annum on the straight line basis
- 12) Shop cleaning and maintenance expenses paid were Rs.10,000/-

You are required to Prepare,

For Balian Tea:

- (a) Cash book & other relevant ledger accounts for the 3 months ended 31st December 2009 (12 marks)
- (b) Trading and profit & Loss accounts for the 3 months ended 31st December 2009 (08 marks)
- (c) Balance sheet as at 31st December 2009 (10 marks)

(Total 30 marks)

19) 2009 JUN

Amal Silva started business on 01st March 2009. The following information is given:

- 1) On 01st March 2009, Amal Silva deposited Rs.4,000,000/- into a bank account
- 2) The following assets were acquired on the first day payment were made thorough the bank account:

	Rs.
Land and Buildings	800,000
Furniture and fittings	360,000
Motor vehicle	1,200,000

- 3) Sales day book as at 31st March 2009 was as follows:

Date	Customer's name	Invoice No	Amount, Rs
02 nd March	Jayakody	01	750,000
16 th March	Jothipala	02	100,000
23 rd March	Jayarathne & company	03	5,000,000
30 th March	Jinadasa & company	04	7,500,000

- 4) Purchases day book as at 31st March 2009 was as follows:

Date	Supplier's name	Amount, Rs
02 nd March	Samaradiwakara	2,000,000
10 th March	Samantha perera	2,500,000
25 th March	Samuel	1,500,000
26 th March	Sirithunga	750,000
	Total	6,750,000

- 5) Cheques deposited directly to the bank account were as follows:

Date	Customer's name	Amount, Rs
10 th March	Jayakody	600,000
20 th March	Jothipala	80,000
30 th March	Jayarathne & company	4,500,000
30 th March	Jinadasa & company	5,000,000

6) Payment made through the bank account were as follows:

Date	Customer's name	Amount, Rs
9 th March	samaradiwakara	1,750,000
9 th March	Drawings	100,000
10 th March	Electricity	50,000
10 th March	Rent for 12 months	120,000
17 th March	Samantha Perera	2,000,000
30 th March	samuel	1,000,000
30 th March	Sirithunga	600,000
31 st March	Salaries	280,000

7) Inventory as at 31st March 2009 has been valued at Rs.750,000/-

8) Sales return day book was as follows:

Date	Customer's name	Invoice No	Amount, Rs
23 rd March	Jothipala	001	5,000
30 th March	Jayarathna & company	002	500,000
	Total		505,000

9) Depreciation is to be provided on the straight line basis from the date the asset was available for use useful lives of the assets were as follows:

Furniture	10 years
Motor vehicle	5 years
(Ignore depreciation of buildings)	

You are required to,

- Record the transaction in the cash book and the ledger and extract a Trail Balance as at 31st March 2009. (18 marks)
- Prepare a profit and Loss account for the month of March 2009. (12 marks)
(Preparation of a balance sheet is not required)

(Total 30 marks)

20) 2008 DEC

Balance extracted from the books of Ranweli Enterprise, a sole Proprietorship as at 31st March 2008 are given below:

	Debit Rs.000	Credit Rs.000
Sales		8,000
Inventories as at 01.04.2007	320	
purchases	5,200	
Carriage inwards	320	
Staff salaries	640	
Drawings - Ranamal	400	
Bad debts	40	
Provision for doubtful debt as at 01.04.2007		24
Bank charges	56	
Bank loan interest (paid up to 31.12.2007)	72	
Sales commission	160	
Distribution expenses	120	
Rent income received		165
Administration expenses	184	
12% bank loan		800
Discount received		83
Trade receivables	184	
Trade payables		280
Land at cost	2,000	
Building at cost	1,600	
Distribution vehicles – at cost	960	
Office Equipment – at cost	800	
Accumulated depreciation as at 01.04.2007		
- Buildings		200
- Distribution vehicles		504
- Office equipment		240
Cash in hand	245	
Capital account - Ranmal		3,005
	13,301	13,301

The following additional information is given:

- 1) Cost of inventories as at 31.03.2008 was Rs.240,000/- the net realizable value of these inventories was estimated at Rs.280,000/-
- 2) Amounts prepaid as at 31.03.2008 were as follows:

Distribution expenses	5,000
Administration expenses	8,000

- 3) The electricity bill for the month march 2008 of Rs.2,000/- had been paid in April 2008. The Administration expenses include electricity paid during the year.
- 4) Since the year 2006 a part of the building belonging to the enterprise had been rented out at Rs.15,000/- per month for a period of 5 years
- 5) Further Rs.4,000/- should be written of as bad debts and the provision for doubtful debts should be adjusted to 10% of the remaining accounts receivable.
- 6) On 01.01.2008 Rs,400,000/- was spent to acquire new equipment for office use. However, it had been recorded as a purchase. Office equipment is depreciated at 20% per annum on the reducing balance method.
- 7) On 01.10.2007 a vehicle which was purchased on 01.10.2005 at a cost of Rs.400,000/- was sold for Rs.160,000/- and the proceeds were credited to sales accounts. No other entries have been made in this regard.
- 8) Buildings and Motor Vehicles are depreciated at 5% and 20% per annum respectively on cost.

Using the above information, you are required to prepare for Ranweli Enterprise:

- (a) Income Statement for the year ended 31st March 2008. (18 marks)
- (b) Balance Sheet as at 31st March 2008. (10 marks)

(Total 28 marks)