



JMC JAYASEKERA  
MANAGEMENT CENTRE  
"Pioneers in Professional Education"

# Chartered Accountancy – BL 01

## Financial Accounting

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MBA (PIM-SJP), B.Sc. (Acct.) Hons. Gold Medal Winner, ACA, 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.

1

# Preparation of Financial Statements of Sole Proprietorships

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2

2

1

## Preparation of Financial Statements of Sole Proprietorships



3

3

### Question 01

The financial position of Nandasiri Ltd. before starting the financial year was as follows.

Nandasiri Enterprises

Statement of Financial Position as at 01 August 20X5. Rs.000

<b>Non-Current Assets</b>		
Motor Vehicle	2,000	
Shop Fittings	3,000	<b>5,000</b>
<b>Current Assets</b>		
Inventory	12,000	
Cash and Bank	1,000	<b>13,000</b>
		<b>18,000</b>
<b>Capital</b>		12,000
<b>Current Liabilities</b>		
Bank Overdraft	2,000	
Trade Payables	4,000	6,000
<b>Total Capital and Liabilities</b>		<b>18,000</b>

4

4

2

Following transactions were made during the 06 months.

1. The gross value of the credit purchases made is Rs.10,000,000. The trade discount received is 2%. At the settlement of a creditors balance of Rs.8,000,000 a 5% a cash discount was received. That was the only settlement of the creditors for the period.
2. The closing stock value is Rs.5,450,000
3. Total sales made Rs.27,250,000 (Cash sales and credit sales both)
4. The closing debtor balance as at 31 January 20X6 is Rs.3,250,000. A bad debt of Rs.250,000 to be written off.
5. 2% provision for doubtful debt shall be made of the remaining debtor balance.
6. Following expenses were paid in cash
  - Stationary 500,000
  - Telephone 200,000
  - Electricity 600,000

5

5

## Question 01

Cleaning 150,000

7. Drawings by the owner is Rs.6,000,000
8. The bank overdraft as at the beginning of the year was settled during the year. The bank charges and interest was Rs.40,000
9. Nandasiri wanted to know the profit for the 06 months ended 31 January 20X6.

**Required,**

Prepare the profit or loss account for the 06 months ended 31 January 20X6 and the Statement of financial position on the same date.

6

6

3

## Question 02

The trial balance of Stephen enterprises as at 31 May 20X1 is given below.

	Debit Rs.	Credit Rs.
Land – Cost	10,000	
Property – Cost	120,000	
Equipment – Cost	80,000	
Opening Accumulated Depreciation		
- Property		20,000
- Equipment		38,000
Purchases	250,000	
Sales		384,200
Invent as at 01.06.20X0	50,000	
Discounts Given	18,000	

7

7

## Question 02

Discounts Received		4,800
Purchase Returns		15,000
Salaries and Wages	58,800	
Bad Debit	4,600	
Lon Term Loan Interest	5,100	
Other Operating Expenses	17,700	
Trade Payables		54,000
Trade Receivables	38,000	
Cash in Hand	300	
Cash in Bank	1,300	
Drawings	24,000	
Provision for Doubtful Debts		500
Long-Term Loans		40,000
Capital as at 01 June 20X6		121,300
	677,800	677,800

8

8

4

## Question 02

Following additional information has been provided as of 31 May 20X1.

1. The closing stock was valued at Rs.45,000. The net realizable value is Rs.42,000.
2. Rs.800 worth of salaries are payable.
3. Rs.300 worth of operating expenses are for the next year.
4. 2% of the trade receivables shall be provided for the doubtful debts.
5. Depreciation for the year shall be provided based on following rates  
Property at 1.5% using straight line method  
Equipment at 25% using reducing balance method

### Required

Income statement and statement of financial position as at 31 May 20X5.

9

9

## Question 03

The trial balance of Bandara Enterprises as at 31 December 20X0 is given below.

	Debit Rs.000	Credit Rs.000
Capital		26,094
Trade Receivables	42,737	
Cash in Hand	1,411	
Trade Payables		35,404
Fittings	42,200	
Discount Received		1,175
Opening Inventory	18,460	
Revenue		490,316
Purchases	387,936	
Motor Vehicle	45,730	
Establishment Expenses	6,184	

10

10

5

### Question 03

Distribution Expenses	2,862	
Rent	8,841	
Operational Expenses	7,413	
Bank Overdraft		19,861
Accumulated Depreciation		
Fittings		2,200
Motor Vehicle		15,292
Drawings	26,568	
	590,342	590,342

Following information is available as at 31 December

1. Rs.218,000 is payable for the motor vehicle expenses.
2. The rent paid in advance is Rs.680,000.
3. Closing stock is Rs.19,926,000

11

11

### Question 03

4. Depreciation policy is as follows.

Motor Vehicle - 20% on cost

Fittings - 10% on Reducing Balance method

**Required,**

Income statement and statement of financial position as at 31 December 20X0.

12

12

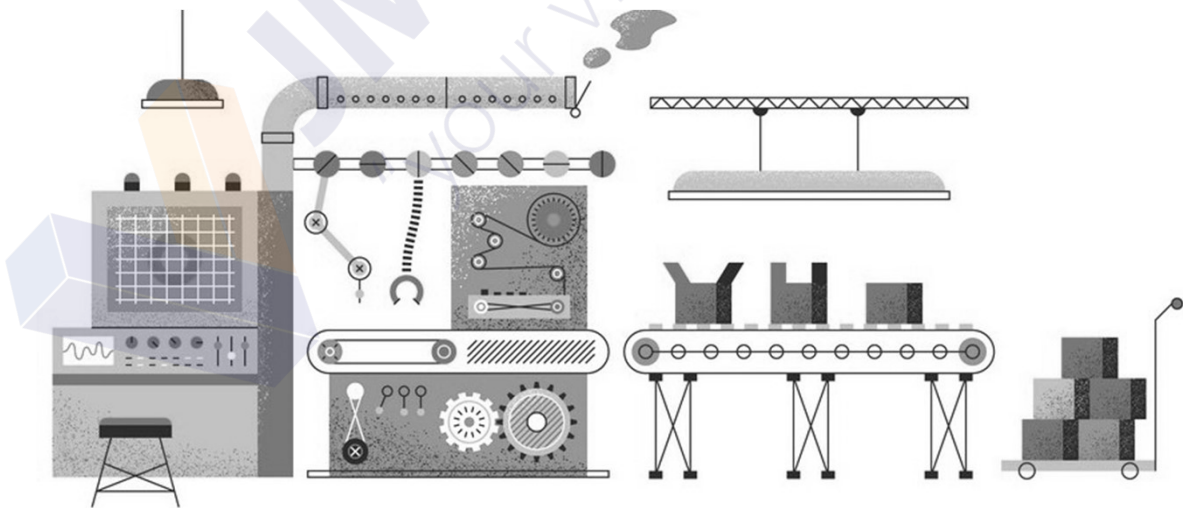
# Production Account

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13

13

# Production Account



14

14

7

# Purpose of Preparing a Production Account

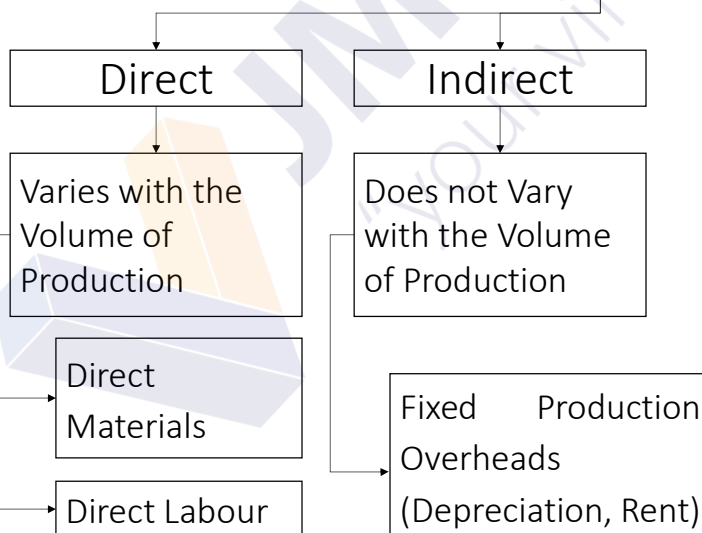
Calculate the Cost of Production of Items Produced



15

15

## Cost of Production



16

16



## Format of a Production Account

+ Opening Raw Materials Inventory	X	
+ Raw Materials Purchases	X	
(-) Purchase Returns	(X)	
	X	
(-) Closing Raw Materials Inventory	(X)	
<b>Raw Material Consumption</b>		<b>X</b>
Direct Factory Wages		X
Direct Other Costs		X
<b>Primary Cost</b>		<b>XX</b>
Production Overhead Cost		
Electricity	X	
Machine Depreciation	X	
Machine Maintenance	X	
Factory Rental	X	X
		XX
+ Opening Work in Progress Inventory		X
(-) Closing Work in Progress Inventory		(X)
<b>Cost of Production</b>		<b>XX</b>

17

17

The Production Cost is taken to the Profit or Loss Account.

+ Opening Finished Goods Inventory	X
<b>+ Production Cost</b>	<b>X</b>
	X
(-) Closing Finished Goods Inventory	(X)
<b>Cost of Sales</b>	<b>X</b>

18

18

## Question 04

Saaliya Ltd. has production business. Following information is relevant for the year ended 31 December 20X5.

	Rs.'000
Revenue	179,000
Raw Materials Purchases	60,000
Direct Labour	70,000
Equipment Depreciation	10,000
Rent	5,000
Building Depreciation	2,000
Electricity and Power	3,000
Telephone	2,000
Other Production Overhead	2,300
Other Administration Expenses	2,550
Other Promotional Expenses	1,150

19

19

## Question 04

Overhead cost shall be allocated on following bases.

	Production	Administration	Distribution
Equipment Depreciation	80%	5%	15%
Rent	50%	30%	20%
Building Depreciation	50%	30%	20%
Electricity and Power	40%	35%	25%
Telephone	-	40%	60%

The inventory values are given below.

	20X5.01.01	20X5.12.31
Raw Materials	5,000	3,000
Work in Progress	4,000	3,000
Finished Goods	16,000	18,000

20

20

10

## Question 04

### Required

Prepare the Production account and Income Statement for the year ended 31 December 20X5.

21

21

## Question 05

Following details are relevant for the Malithi Production Business for the year ended 30<sup>th</sup> September 20X4.

	Rs.000
Promotions	2,000
Depreciation for the year ended 30 <sup>th</sup> September 20X4	
Factory Equipment	7,000
Office Equipment	4,000
Direct Wages	40,000
Factory Overheads	
Insurance	1,000
Heat	15,000
Indirect Materials	5,000
Power	20,000
Salaries	25,000
Opening Finished Goods	24,000

22

22

11

## Question 05

	Rs.000
Office Expenses	
Electricity	15,000
Common Expenses	9,000
Postage and Telephone	2,900
Wages	70,000
Material Purchases	202,000
Opening Raw Materials Inventory	8,000
Revenue	512,400
Opening Work in Progress Inventory	12,000

### Notes

1. There is a promotional expense payable of Rs.1,000. This has not been recorded.
2. Electricity bill payment of Rs.1,500 is relevant for the next financial year.

23

23

## Question 05

3. Closing inventory balances as at the year end was as follows.

	Rs.
Raw Materials	10,000
Work in Progress	9,000
Finished Goods	30,000

### Required

Prepare the Production account and Income Statement for the year ended 30<sup>th</sup> September 20X4.

24

24

12