



Company Accounts

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Accounting for Limited Liability Companies

Introduction

What is a Company?

The word 'Company', in everyday usage, implies an assemblage of persons for social purpose. As a form of organization, the word 'company' implies a group of people who voluntarily agree to form a company. However, in law 'company' is defining as “a Business Entity which is formed and registered under Company Act, No 07 of 2007. As per this definition of law, there must be group of persons who agree to form a company under the law and once so formed, it becomes a separate legal entity with a distinct name of its own. Its existence is not affected by the change of members. Generally, the capital of the company consists of transferable shares, and members have limited liability.

Characteristics of a Company

The followings are the characteristics of a company

1. Incorporated Association

A company comes into existence through the operation of law. Therefore, its incorporation under The Companies Act is must. Without such registration, no company can come into existence. Being created by law, it is regarded as an artificial legal person. Also, the registration provides the status of domicile to the company.

2. Separate Legal Entity

A company has a separate legal entity, which is not affected by changes in its Membership

3. Perpetual Existence

Since company has existence independent of its members, it continues to be in existence despite the death, insolvency or change of members.

4. Limited Liability

The liability of every shareholder of a company is limited to the amount he has agreed to pay to the company on the shares allotted to him. If such shares are fully paid-up, he is subject to no further liability.

5. Divorce between Ownership and Management

Since the number of shareholders is very large and may be distributed at different geographical locations, it becomes difficult for them to carry on the operational management of the company on a day-to-day basis. This gives rise to the need of separation of the management and ownership. Therefore, the control and management of company's affairs is entrusted to the directors who are vested with the overall responsibility of management and operational control, though the shareholders contribute to the capital. Thus, the managers (directors) of the company carry on the business of the company on the basis of fiduciary relationship with the shareholders.

6. Transferability of Shares

The capital is contributed by the shareholders through the subscription of shares. Such shares are transferable by its members except in case of a private limited company, which may have certain restrictions on such transferability.

Introduction of Companies Act No. 7 of 2007

The new Companies law evolved from New Zealand and Canadian legal system. The aim of introducing new companies act is to promote corporate governance that will ensure the interest of all stakeholders. Unique features of the new companies act are;

1. Abolition of the Ultra Virus doctrine
 2. Definition of a shareholder
 3. Rights of shareholder
 4. Minority buy outs
 5. Ability of the company to buy its own shares
 6. Distribution of assets depend on the solvency test which call for greater transparency
 7. Companies dispute board
 8. Company advisory commission
 9. Statuary recognition of derivative action
 10. Bonus share issue come as a share split
- (Which consider as grey area of the new companies Act)

Incorporation

The aim of the introducing new companies act is to promote corporate governance that will ensure the interest of all stakeholders.

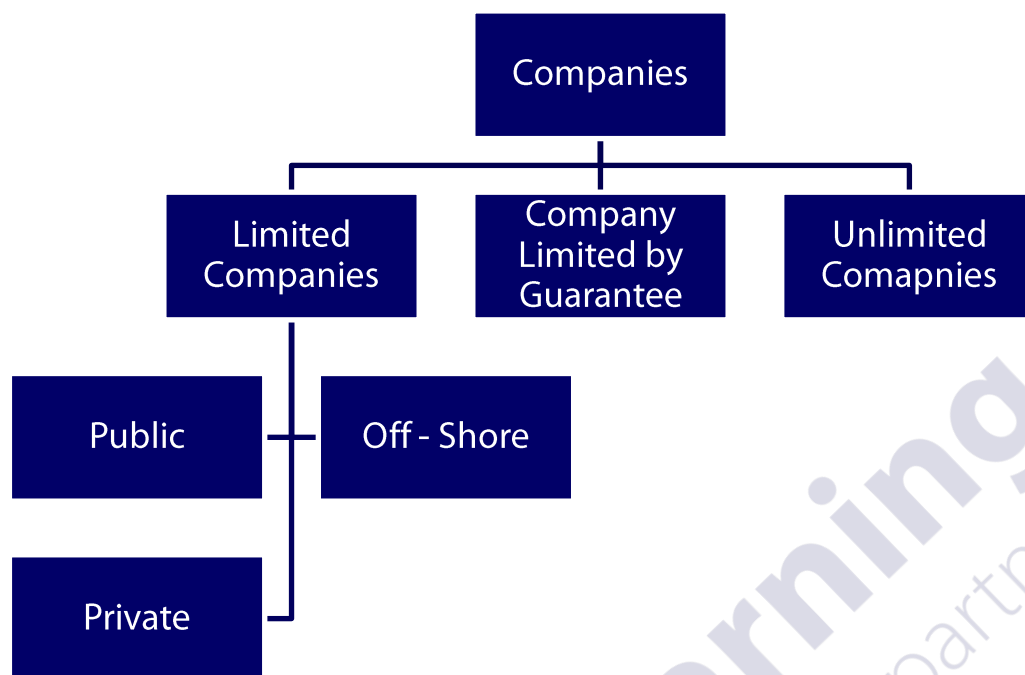
Incorporated company is a company incorporated under the companies Act number 07 of 2007 (New companies Act)

The process of creating an artificial legal person is incorporation. There are two methods which can be created an artificial legal person, as follows.

1. By an act of parliament
Eg: YMBA, Petroleum Corporation
2. By companies act no 7 of 2007

According to the new companies act all existing companies should re-register with in 12 months. If they fail to comply with this requirement the registrar general delete the name of such company from the register.

Classification of Companies



1. Limited Company : Issue shares
Holder's liability is limited to the amount they have contributed towards the capital of the company.
2. Unlimited Company : Issue shares
Holder's liability is unlimited towards the company in the event of being wound up.
3. Company Limited : Does not issue shares
by guarantee Members undertake to contribute to the assets of the company in the event of being wound up.
4. Off-shore Companies : Company registered in Sri Lanka to carry on business outside of Sri Lanka.

The major change in the new act is that it permits by sec 4(2) "single shareholder companies". The main feature of the company is an individual or body corporate can own all the 100% shares in a company. Secretary to the treasury is also empowered to incorporate a single shareholder company on behalf the government

Private Company	Public Company
Members : Minimum 01 Maximum 50	Members : Minimum 01 Maximum Unlimited
Shares cannot be publicly issued	Shares can be publicly issued
Board of Directors : Minimum - 01 Maximum - Unlimited	Board of Directors : Minimum - 02 Maximum - Unlimited
Name : "(Private) Limited" or "(Pvt.) Ltd"	Name : "Limited" , "Public Limited Company" or "PLC"

Incorporation Procedure

(Process of getting certificate of incorporation)

any person or persons may apply to incorporate a company other than company limited by guarantee, by marking an application for the registrar signed by each of the initial shareholders together with the following documents;

1. A declaration stating that to the best of such person or person's knowledge.
2. AOA (signed by each of the initial shareholders)
3. Consent from each of the initial directors, to act as a director of the company.
4. Consent from the initial secretary to act as secretary of the company.
5. Also required fee as follows.
 1. Registration fee for new company is Rs. 8,500/-
 2. Re-registration an existing company registration fee of Rs. 5,000/- has to be paid
 3. To register each form Rs. 350/- should be paid.

Certificate of incorporation issued by the registrar shall specify,

1. The name and number of the company.
2. The date on which the company was incorporated.
3. The type of the company (limited, unlimited, guarantee)
4. Whether the company is a private company.
5. Whether the company is a off-shore company.

Certificate of incorporation issued by the registrar general provide that, all the requirements under this act relating to the incorporation of a company have been complied with, the company has been incorporated on the date specified in such certificate of incorporation.

Once companies get the incorporation certificate they are considered as,

1. Separate legal personality
2. Limited liability
3. The right to offer shares to the public
4. The right to transfer shares
5. Increased borrowing powers
6. Perpetual successions

Articles of Association (AOA)

1. The articles of association signed by each of the initial shareholders must be submitted.
2. Sec 14: articles of association set out in the First schedule which is known as "model articles" (can apply any company other than company limited by guarantee)
3. Under new companies act a company need not have a memorandum of association. Now only one document is required that is Articles of Association.

4. The articles of an existing company shall continue to be the articles of such company both memorandum and articles with be collectively identified as articles.
5. Articles of association may provide for,
 1. The objects of the company
 2. The rights and obligations of shareholders of the company
 3. The management and administration of the company

Salient Features of the Companies Act

1. Incorporation of a Company

Documents to be submitted to ROC:

Application signed by the initial shareholders

Declaration that name is not identical/ similar to that an existing company.

Articles of Association (if different from articles set out in first Schedule)

Consents of Directors

Consent of the Secretary

2. Single Shareholder Companies

Company can have a single shareholder where such single shareholder is: a body corporate or

If person is an individual, the nominee of such person should be a body corporate Secretary to the Treasury.

3. Types of Companies

1. Limited Companies
2. Unlimited Companies
3. Guarantee Companies

4. Company Names

1. A limited company which is listed- 'Public Limited Company' or 'PLC'
2. A limited company other than a listed company – 'Limited' or 'Ltd'
3. A private company – '(Private) Limited' or '(Pvt.) Ltd.'

5. Publication of the Name

It is an equipment of the companies Act that the name/number of the company must state in all business letters, all notice and publications, all BOE, promissory notes, cheques, in all invoices, receipts, letters of credit of the company and all other documents which is evidence of a legal obligation.

6. Registration Number

In addition to the name of the company, the reg. no. must be disclosed in:

- Business letters
- Notice and official publications
- Bills of exchange

- All invoices, receipts and letters of credit
 - Documents issued/ signed by company which creates evidence of legal obligation
- Present Act – no obligation

7. Articles of Association

A company can set out objects in the articles.

First Schedule to proposed Act provides for Model Articles.

Memorandum of association of an existing company would be deemed to form part of the articles.

8. Capacity of a Company

Company having the power to do any business of its choice

Company has capacity to carry on any business or activity, to do any act or enter in to any transaction.

Doctrine of Ultra Virus would not apply

Articles may provide for restriction on the business activities.

Shareholder/ director may make application to court to restrain the company

No act, no contract or other obligation and no transfer of property will be invalid by reason only of the fact that it was done in contravention.

9. Unanimous Agreement of shareholders

Private companies have been authorized to take valid decisions if agreed by all shareholders:

1. Issue of shares
2. Repurchase/redemption of shares
3. To provide financial assistance to buy shares of the company
4. Payment of remuneration or giving loans to directors
5. Making a distribution by the company

6. Stated Capital

1. The stated capital would reflect the actual financial status of company
2. Total of all amounts received by the company or due and payable to the company in respect of shares issued and called up
3. Concept of authorized, issued and called up capital abolished
4. Concept of nominal or par value for shares abolished
5. Stated capital can be reduced by special resolution and public notice
6. Private companies – can purchase its own shares if agreed by all shareholders
7. Other companies – if Articles so provides, Board may approve if it is the interest of the company

8. Financial assistance – if resolved by the Board that it is in the interest of the company, it is fair and reasonable, and the shareholders and company satisfy the solvency test.

7. Serious Loss of Capital

If it is appearing to a director of a company that the net assets of the company are less than stated capital ($NA < SC$) the board must should call an extraordinary meeting of the shareholders of the company (with 40 working days from the date of calling of such meeting)

8. Solvency Test

A company must be able to pay its debts as they become due in the normal course of business and,

The value of the company's assets should be greater than the value of its liabilities and stated capital

9. Minority Buy out Rights

Dissenting shareholder entitled to request company to buy his shares when shareholders exercise power to:

1. Alter the company's Articles
2. Approve a major transaction
3. Approve an amalgamation
4. Reduce the company's stated capital
5. Pass a resolution to wind up the company
6. Change the name or status
7. Statement by Auditors

Auditors on ceasing to hold office must deliver:

1. A statement on circumstances connected therewith which should be brought to the attention of shareholders/creditors or
2. A statement that there are no circumstances that merit the attention of shareholders/creditors

Company is obliged to circulate auditor's representation

3. Major Transactions

Acquisition, disposition or agreement to acquire/dispose whether contingent or not

Transaction which has the effect of the company acquiring rights/interests or incurring obligations/liabilities

Of a value $>$ half the value of the assets

A transaction (or series of related transactions) which has the effect of substantially altering the nature of business.

4. Director's Duties

Comply with the Act and Articles

Act in good faith and in the interest of the company

Exercise the degree of skill and care that may reasonably be expected of a person of his knowledge and experience and

Should not be reckless or grossly negligent

5. Derivative Action (Action bring by a shareholder on behalf of the company against its directors)

Director/ shareholder can bring proceedings in the name and on behalf of the or subsidiary.

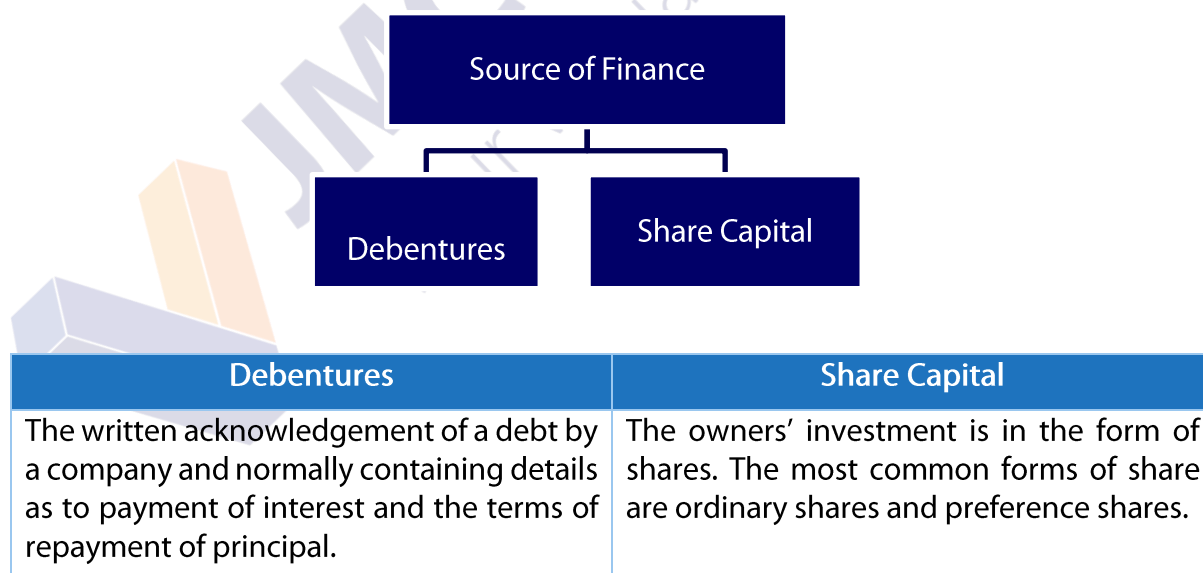
Director/ shareholder may have resort to a derivative action to intervene in proceedings to which company /subsidiary is a party. Derivative action is a statutory right of the shareholders.

6. Administrator

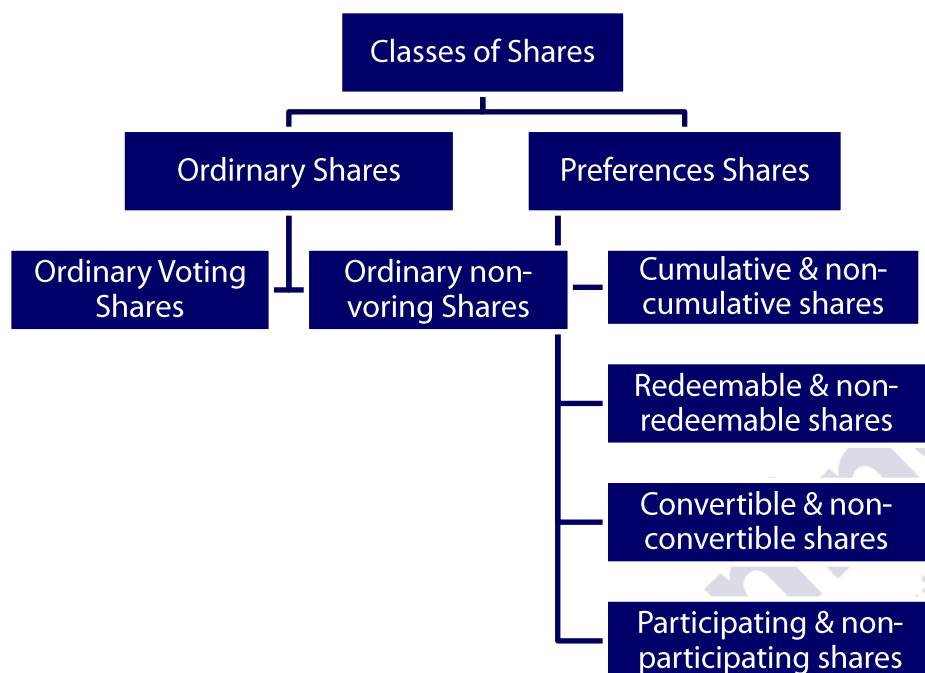
Board may appoint an Administrator:

1. If the co. is unable to pay its debts
2. If the appointment may achieve the survival of the co., as a viable concern
3. For the preparation and approval of a compromise or arrangement
4. for more advantageous realization of the company's assets, than would be likely on a winding up

Sources of finance for a limited company



Classes of Shares



Shares

- Share is one of the unit into which the stated capital is divided.
- A share in a company shall be movable property.
- A company may issue different class of shares.
- A share in a company is transferable in the manner provided for by its articles and such articles may limit or restrict the extent to which a share is transferable.
- A share in a company shall have no a nominal value or oar value.

Classes of shares

1. Ordinary shares

Shares that entitle the holders to the remaining divisible profits (and, in liquidation, the assets) after prior interests – for example, payables and prior-charge capital – have been satisfied.

1. Ordinary voting shares

Ordinary shareholders are entitled to receive dividends if any are available after dividends on preferred shares are paid. They are also entitled to their share of the residual economic value of the company should the business unwind; however, they are last in line after bondholders and preferred shareholders for receiving business proceeds.

2. Ordinary non-voting shares

Non-voting shares contain similar characteristics of a Voting share except that they are not entitled for voting rights. Therefore the Share price will be less than the price of an Ordinary Voting share.

2. Preference Shares

Shares carrying a fixed rate of dividend, the holders of which, subject to the conditions of issue, have a prior claim to any company profits available for distribution. Preference shareholders may also have a prior claim to the repayment of capital in the event of a winding up.

1. Cumulative & Non-cumulative shares

Suppose a company does not make any profits for two successive years and makes huge profits in the third year. Then the people who have cumulative shares will get the interest of the three years and in case of non-cumulative shareholders they do will not receive the interest of the past two years.

2. Redeemable & Non-redeemable shares

The redeemable shares are redeemed within the life time of the company or if these shares have a maturity period. In case of non- redeemable shares they mature only upon closing down of the company.

3. Convertible & Non-convertible shares

Classes of shares which can be converted to other forms of shares or securities are called as convertible shares. Whether they are converted to equity shares, debentures depend on the rules laid down by the company. If the shares are not convertible to any other security they called as non-convertible shares.

4. Participating and non-participating shares

Participating Preference shareholders have the right to receive any remaining profit which is left after payment of dividend to the equity shareholders, while Non-Participating Preference shareholders do not have such rights. Participating Preference shares takes precedence over common stock in the event of liquidation.

Stated capital

1. The stated capital is the total of all amounts (consideration) received by the company or due and payable to the company in respect of issued shares and called on shares
2. The Stated capital should not include “non-called on shares” (the value of shares which are not yet called)
3. It is shown in liability side of the balance sheet of company.

Procedure of issue of shares:

When company has been registered, the following procedure is adopted by the company to collect money from the public by issuing of shares:

1. Issue of prospectus:

When a Public company intends to raise capital by issuing its shares to the public, it invites the public to make an offer to buy its shares through a document called ‘Prospectus’. According to Section 60 (1), a copy of prospectus is required to be delivered to the Registrar for registration on or before the date of publication thereof. It contains the brief information about the company, its past record and of the project for which company is issuing share. It also includes the opening date and the closing date of the issue, amount payable with application, at the time of allotment and on

calls, name of the bank in which the application money will be deposited, minimum number of shares for which application will be accepted, etc.

2. To receive application:

After reading the prospectus if the public is satisfied then they can apply to the company for purchase of its shares on a printed prescribed form. Each application form along with application money must be deposited by the public in a schedule bank and get a receipt for the same. The company cannot withdraw this money from the bank till the procedure of allotment has been completed (in case of first allotment, this amount cannot be withdrawn until the certificate to commence business is obtained and the amount of minimum subscription has been received). The amount payable on application for share shall not be less than 5% of the nominal amount of share.

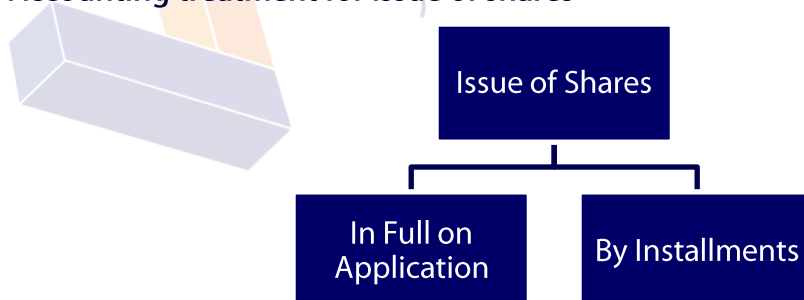
3. Allotments of shares:

Allotments of shares means acceptance by the company of the offer made by the applicants to take up the shares applied for. The information of allotment is given to the shareholders by a letter known as 'Allotment Letter', informing the amount to be called at the time of allotment and the date fixed for payment of such money. It is on allotment that share come into existence. Thus, the application money on the share after allotment becomes a part of share capital. Decision to allot the share is taken by the Board of Directors in consultation with the stock exchange. After the closure of the subscription list, the bank sends all applications to the company. On receipt of applications, each application is carefully scrutinized to ascertain that the application form is properly filled up and signed and the money is deposited with the bank.

4. To make calls on shares:

The remaining amount left after application and allotment money due from shareholders may be demanded in one or more parts which are termed as 'First Call' and 'Second Call' and so on. A word 'Final' word is added to the last call. The amount of call must not exceed 25% of the nominal value of the shares and at least 1 month have elapsed since the date which was fixed for the payment of the last preceding call, for which at least 14 days' notice specifying the time and place must be given.

Accounting treatment for issue of shares



1. Shares payable in full on application

When applying for shares which have to be paid in full, the applicant will send the full value of the shares with the application form.

It must be noted that applicants do not always become shareholders.

The application is the offer made by the applicant for the share of the company. The allotment represents the acceptance of the offer by the company and it is the point

where the applicant becomes a shareholder. No entry must therefore be made in the share capital account until allotment is taken place. This account is termed as "Application and Allotment Account".

1. When application money is received

Cash/Bank A/C	Dr
Application & allotment A/C	Cr

2. When excess application money is returned

Application & allotment A/C	Dr
Cash/Bank A/C	Cr

3. At the time of allotment

Application & allotment A/C	Dr
Stated capital A/C	Cr



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Exercise: 01

Commercial Bank issued 100,000 ordinary shares at Rs. 10.00 each. The full amount should be paid with the application. The company received applications for 130,000 shares. Applications in excess were rejected.

Show the journal entries and ledger accounts

Exercise: 02

Cargills PLC issued 150,000 ordinary shares at Rs. 15.00 each. The full amount should be paid with the application. The company received applications for 200,000 shares. Applications in excess were rejected.

Show the journal entries and ledger accounts

2. Shares payable by instalments

when applying for shares which are to be paid in instalments a prospective share holder only sends a proportion of the value of the shares he is applying for with his application form and if successful he will send another part when the shares are allotted; the rest of the money will be sent in instalments, when asked for by the company. The instalments are named 'First Call', 'Second Call' etc. A company may ask for the shares to be paid by instalments if the full amount of the money to be raised is not required immediately.

1. When application money is received

Cash/Bank A/C	Dr	
Application & allotment A/C		Cr

2. When excess application money is returned

Application & allotment A/C	Dr	
Cash/Bank A/C		Cr

3. Allotment of shares (Instalment up to allotment)

Application & allotment A/C	Dr	
Stated capital A/C		Cr

4. When allotment money is received

Cash/Bank A/C	Dr	
Application & allotment A/C		Cr

5. When Call is made (value of the call)

Call A/C	Dr	
Stated capital A/C		Cr

6. When cash for Call is received

Cash/Bank A/C	Dr	
Call A/C		Cr

Exercise: 03

Abans limited issued 50,000 ordinary shares at Rs. 15.00 each, payable as follows,

Rs. 4.00 on Application

Rs. 5.00 on Allotment

Rs. 6.00 on Call

The company received applications for 65,000 shares. Applications in excess were rejected.

Show the journal entries and ledger accounts.

Exercise: 04

Hayleys PLC issued 100,000 ordinary shares at Rs. 20.00 each, payable as follows,

Rs. 10.00 on Application

Rs. 4.00 on Allotment

Rs. 5.00 on 1st Call

Rs. 1.00 on 2nd Call

The company received applications for 100,000 shares. Show the journal entries and ledger accounts.

Exercise: 05

Cargills limited issued 750,000 ordinary shares at Rs. 18.00 each, payable as follows,

Rs. 8.00 on Application

Rs. 5.00 on Allotment

Rs. 3.00 on 1st Call

Rs. 2.00 on 2nd Call

The company received applications for 780,000 shares. Applications in excess were rejected.

Show the journal entries and ledger accounts.

Company Final Accounts

1. A company may prepare two set o final accounts

1. Preparation of Final Accounts for Director Board

This is concerned with accounts which are prepared for use internally in the company by the directors and management. They need more detailed profit and loss accounts and balance sheets than those prepared for publication to help them manage the company. These more detailed accounts are usually prepared in a form which can easily be converted into the form for publication.

2. Preparation of Final Accounts for Share Holders

When the financial statements are prepared for publication purposes the preparation should be done by complying with the requirements of the Companies Act No 7 of 2007 and SLFRSs and LKASs.

2. As prescribed by LKAS 1 (Preparation and Presentation of Financial Statement), the following statements should be included in a set of financial statement.

1. Statement of Financial Position- summarizes the financial position of an accounting entity at a particular point in time.
2. Statement of Comprehensive Income - summarizes the results of operations for a given period of time.
3. Statement of Changes in Equity -shows the increases and decreases in earnings retained by the company over a given period of time.
4. Cash flow statement - summarizes an enterprise's operating, financing, and investing activities over a given period of time.
5. Notes to the Financial Statement and Summary of significant Accounting Policies

Some special provisions

Purpose of Financial Statements

The objective of general purpose financial statements is to provide information about the financial position, financial performance and cash flows of an entity that is useful to a wide range of users in making economic decisions. Financial statements also show the results of management's stewardship of the resources entrusted to it. To meet this objective, financial statements provide information about an entity's

(a) Assets; (b) Liabilities; (c) Equity; (d) Income and expenses, including gains and losses; (e) Other changes in equity; and (f) Cash flows

Going Concern

When preparing financial statements, management shall make an assessment of an entity's ability to continue as a going concern. Financial statements shall be prepared on a going concern basis unless management either intends to liquidate the entity or to cease trading, or has no realistic alternative but to do so.

Accrual Basis of Accounting

An entity shall prepare its financial statements, except for cash flow information, using the accrual basis of accounting.

Consistency of Presentation

The presentation and classification of items in the financial statements shall be retained from one period to the next unless:

1. It is apparent, following a significant change in the nature of the entity's operations or a review of its financial statements, that another presentation or classification would be more appropriate having regard to the criteria for the selection and application of accounting policies
2. A Standard requires a change in presentation.

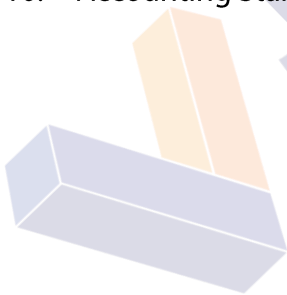
Materiality and Aggregation

Each material class of similar items shall be presented separately in the financial statements. Items of a dissimilar nature or function shall be presented separately unless they are immaterial.

Offsetting Assets and liabilities, and income and expenses, shall not be offset unless required or permitted by a Sri Lanka Accounting Standard.

Adjustments in Preparation of Financial Statements

3. Stock
 1. Closing stock
 2. Stock Damages
 3. Stock sold on sale or return basis
4. Debtors
 1. Bad debts
 2. Provision for doubtful debt
5. Accruals
 1. Accrued expenses / Expenses payable
 2. Prepaid expenses / Expenses paid in advance
 3. Accrued income / Income receivable
 4. Pre received income / Income received in advance
6. PPE
 1. Depreciation
 2. Disposal
 3. Revaluation
7. Taxation
8. Reserves (Revaluation Reserve, General Reserve, Retained Earnings)
9. Statutory deductions (EPF, ETF, PAYE)
10. Accounting Standards



2019 Jul – Question 10

The following additional information is also provided:

- (1) Property, Plant and Equipment are to be depreciated on the straight-line basis at cost and the useful life of the assets is as follows:

Machinery	: 5 years
Motor Vehicles	: 4 years
Office Equipment	: 5 years

- (2) The following transactions are to be incorporated into the books of accounts as at 31st March 2019:

Rent Payable	: Rs. 40,000/-
Prepayment of Insurance	: Rs. 70,000/-

- (3) On 01st January 2019, the company issued 100,000 numbers of 15% debentures at Rs. 100/- each, for which the interest is to be paid quarterly. For the first quarter, the interest is to be paid on 01st April 2019.
- (4) The total income tax liability for the year of assessment 2018/19 is estimated as Rs. 90,000/-.
- (5) An ex-employee sued the company, claiming compensation for health damages caused to him due to a chemical which was used for the production. Though the judgment was not given as at 31st March 2019, the lawyers are of the view that the company will have to pay an amount of Rs. 500,000/- as compensation to the employee.
- (6) The financial statements were authorized for issue by the Board of Directors on 31st May 2019.

You are required to:

Prepare the following for the use of the management of Design Mart (Pvt) Ltd.

- (a) Statement of Profit or Loss and the Other Comprehensive Income (Comprehensive Income statement) for the year ended 31st March 2019. (11 marks)
- (b) Statement of Financial Position as at 31st March 2019. (14 marks)

(Total 25 Marks)

2019 Jan – Question 10

- (1) For enhancing finance facilities, the bank requested the company to increase to increase its stated capital. Accordingly, the Board has issued 200,000 new shares at Rs. 10/- per share on 31st January 2018. It was further decided to refund the excess money received and to allocate the shares on 01st March 2018. However, other than recording the collection of share application money, no other entries have been made in the books of accounts in this regard.
- (2) On 01st April 2017, the company issued 50,000 numbers of 12% debentures at Rs. 100/- each. Interest is to be paid bi-annually on 01st April and on 01st October of each year.
- (3) As an expansion program, the Board of Directors has decided to move towards the manufacturing process, and accordingly, the company purchased new machinery costing Rs. 50,000,000/- on credit terms on 15th February 2018, and commenced the production on 01st March 2018. The cost of the machinery and the installation cost of Rs. 2,800,000/- should be settled by 15th of April 2018. However, no entries have been made in the books of accounts in this regard.
- (4) Plant and Equipment are to be depreciated on the straight-line basis at cost. The useful life of the assets are estimated as follows:

Motor Vehicles	: 05 years
Office Equipment	: 10 years
Machinery	: 10 years
- (5) The following accruals and pre-payments as at 31st March 2018 are to be recorded in the books of accounts:

Rent Payable	: Rs. 45,000/-
Insurance Prepaid	: Rs. 8,000/-
- (6) It was decided to increase the allowance for Trade Receivables as at 31st March 2018 to Rs. 123,000/-.
- (7) The Board of Directors of the company has approved the Financial Statements for issue on 15th June 2018.

You are required to:

Prepare the following for the use of the management of Bhasha (Pvt) Ltd.:

- (a) Statement of Profit or Loss and the Other Comprehensive Income (Comprehensive Income statement) for the year ended 31st March 2018. (11 marks)
- (b) Statement of Financial Position as at 31st March 2018. (14 marks)

(Total 25 Marks)

2018 Jul – Question 10

The following Trial Balance as at 31st March 2018 is extracted from the books of accounts of Jaya (Pvt) Ltd., a company engaged in trading business:

(Rs.'000)

	Dr	Cr
Stated Capital (300,000 ordinary shares)		45,000
Retained Earnings as at 01 st April 2017		10,000
Interim Dividends Paid	2,500	
10% Debentures		25,000
Land and Buildings at cost (land – Rs. 20 million)	70,000	
Motor Vehicles	90,000	
Accumulated Depreciation as at 01 st April 2017:		
Buildings		14,000
Motor Vehicles		36,000
Inventory as at 31 st March 2018	55,000	
Trade Receivables	45,500	
Allowances for Trade Receivables as at 01 st April 2017		1,250
Income Tax Paid	2,650	
Sales		368,000
Cost of Sales	235,000	
Distribution Expenses	15,000	
Administration Expenses	43,000	
Debenture Interest Paid	1,250	
Cash in hand and at bank	750	
Total Payables		48,000
Suspense Account		11,000
Income Tax Provision as at 01 st April 2017		2,400
Total	560,650	560,650

The following additional information is also provided:

- (1) Closing inventory which was counted and valued at cost as at 31st March 2018 was taken into the books of accounts. Subsequent review conducted on 20th April 2018 revealed that a part of the above inventory which had a cost of Rs. 5,000,000/- had become obsolete and expected to be sold at Rs. 4,200,000/- on 30th April 2018.

- (2) The company issued 250,000 10% debentures at Rs. 100/- each on 01st April 2017. Interest is to be paid bi-annually on debentures. The interest paid during the year has been charged to the debenture interest paid account.
- (3) Property, Plant and Equipment (PPE) are to be depreciated on the straight-line basis at cost. The useful life of the assets are estimated as follows:

Buildings	: 25 years
Motor Vehicles	: 10 years

The entire depreciation for the year has been debited to administration expenses and credited to Suspense Account.

- (4) One of its customers who owed Rs. 500,000/- to the company died on 05th May 2018, thus the amount receivable become irrecoverable. Further, It was decided to maintain an allowance for trade receivables at 5% of the balance trade receivables at the end of the year.
- (5) The following accrued and prepaid expenses are to be accounted as at 31st March 2018:

	Rs.
Accrued building maintenance expenses	400,000
Prepaid advertising expenses	150,000

- (6) The total income tax liability for the year of assessment 2016/17 was finalized to Rs. 2,650,000/- and settled in full during the year ended 31st March 2018. The amount paid has been charged to the income tax paid account. The total income tax liability for the year of assessment 2017/18 is estimated to be Rs. 2,800,000/-.
- (7) The Board of Directors of the company has approved the financial statements for issue on 30th June 2018.

You are required to:

Prepare the following for the use of the management of Jaya (Pvt) Ltd.:

- (a) Statement of Profit or Loss and the Other Comprehensive Income (Comprehensive Income statement) for the year ended 31st March 2018. (12 marks)
- (b) Statement of Financial Position as at 31st March 2018. (13 marks)

(Total 25 Marks)

2018 Jan – Question 10

The following Trial Balance of Lucky 13 (Pvt) Ltd as at 31st March 2017 is given below:

(Rs.'000)

	Dr.	Cr.
Stated Capital (300,000 Ordinary Shares)		32,000
Retained Earnings as at 01 st April 2016		12,000
12% Debentures		20,000
Land and Buildings at Cost (Land – Rs. 30 million)	80,000	
Office Equipment at Cost	40,000	
Accumulated Depreciation as at 01 st April 2016:		
Buildings		5,000
Office Equipment		25,000
Inventory as at 31 st March 2017 at cost	60,000	
Trade Receivables	43,000	
Allowance for Trade Receivables as at 01 st April 2016		1,600
Cash at Bank	1,000	
Income Tax Paid	3,200	
Sales		463,000
Cost of Sales	265,000	
Distribution Expenses	51,700	
Administration Expenses	68,000	
Debenture Interest Paid	1,200	
Trade Payables		50,900
Income Tax Provision as at 01 st April 2016 (for year of assessment 2015/16)		3,500
Total	613,600	613,600

The following additional information is also provided:

- (1) The net realizable value (NRV) of the inventories as at 31st March 2017 was estimated to be Rs. 59,200,000/-.
- (2) One of the customers who owed Rs. 1,500,000/- to the company as at 31st March 2017 has been declared bankrupt on 20th May 2017 thus making the entire amount due becoming irrecoverable. It was further decided to maintain the allowance at 5% of the balance of trade receivables.
- (3) Property, Plant and Equipment are to be depreciated on the straight-line basis at cost. The useful life of the assets is as follows:

Buildings : 25 years
Office Equipment : 10 years

There were no additions or disposals of Property, Plant and Equipment during the year.

- (4) The company has issued 200,000 numbers of 12% debentures at Rs. 1,000/- each on 01st April 2016 for which the interest is to be paid biannually. Interest paid during the year has been charged to the debenture interest paid account.
- (5) The following accrued and prepaid expenses are to be accounted as at 31st March 2017:

	Rs.
Accrued advertising expenses	800,000
Prepaid Insurance	120,000

- (6) The total income tax liability for the year 2015/16 was finalized at Rs. 3,200,000/- and fully settled during the year ended 31st March 2017. The amount paid has been charged to the income tax paid account. The total income tax liability for the year 2016/17 is estimated to be Rs. 3,800,000/-.
- (7) The Directors of the company have approved the financial statements for publication on 30th June 2017.

You are required to:

Prepare the following for the use of the management of Lucky 13 (Pvt) Ltd.:

- (a) Statement of Profit or Loss and the Other Comprehensive Income (Comprehensive Income statement) for the year ended 31st March 2017. (10 marks)
- (b) Statement of Financial Position as at 31st March 2017. (15 marks)

(Total 25 Marks)



2017 Jul – Question 10

The following Trial Balance of Silicon (Pvt) Ltd. As at 31st March 2017 is given below:

(Rs.'000)

	Dr.	Cr.
Ordinary Share Capital (300,000 shares)		80,000
Retained Earnings as at 01 st April 2016		32,000
8% Debentures		70,000
<u>Property, Plant and Equipment (at cost):</u>		
Land and Buildings (Land – Rs. 38 million)	88,000	
Motor Vehicles	220,000	
<u>Accumulated Depreciation as at 01st April 2016:</u>		
Buildings		15,000
Motor Vehicles		83,000
Inventory as at 31 st March 2017	63,000	
Trade Receivables	78,000	
Allowance for trade receivables as at 01 st April 2016		2,300
Bank Balance		1,000
Income Tax Paid	2,900	
Sales		569,000
Cost of Sales	363,000	
Distribution Expenses	60,000	
Administration Expenses	38,000	
Debenture Interest Paid	2,800	
Interest on Bank Overdraft	300	
Trade Payables		61,300
Income Tax Provision as at 01 st April 2016		2,400
Total	916,000	916,000

The following additional information is also provided:

- (1) Inventory as at 31st March 2017 was physically verified and valued at cost. However, subsequent review conducted on 30th April 2017 revealed that out of the said inventory items, some items which were purchased for Rs. 3,000,000/- had become obsolete and are expected to be sold for Rs. 2,700,000/-.
- (2) One of the customers who owed Rs. 2,000,000/- to the company was declared bankrupt on 15th April 2017 and the amount due from him became irrecoverable.

Further, it was decided to maintain the allowance for receivables at 5% of balance trade receivables at the end of year.

- (3) Property, Plant and Equipment are to be depreciated on the straight-line basis at cost. The useful life of the assets are as follows:

Buildings : 10 years

Motor Vehicles : 5 years

- (4) On 1st April 2016, the company has issued 700,000 debentures at Rs. 100/- each. Interest at 8% is to be paid on debentures bi-annually on 01st of April and on 01st of October. The interest paid during the year has been debited to the debenture interest paid account.

- (5) The following accrued and prepaid expenses are to be accounted as at 31st March 2017:

	Rs.
Accrued adverting Expenses	1,000,000
Prepaid Telephone Expenses	500,000

- (6) The total income tax liability for the year of assessment 2015/16 of Rs. 2,900,000/- which was paid during the year ended 31st March 2017 has been debited to the income tax paid account. The total income tax liability for the year of assessment 2016/17 was estimated to be Rs. 2,800,000/-.

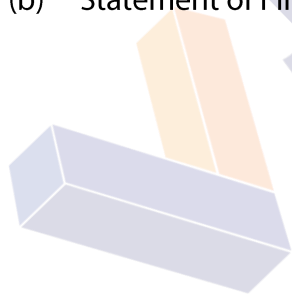
- (7) The financial statements were authorized for issue by the Board of Directors on 31st May 2017.

You are required to:

Prepare following for the use of the management of Silicon (Pvt) Ltd.:

- (a) Statement of Comprehensive Income for the year ended 31st March 2017. (12 marks)
- (b) Statement of Financial Position as at 31st March 2017. (13 marks)

(Total 25 Marks)



2017 Jan – Question 10

The Trial Balance of Web Fabs (Pvt) Ltd. As at 31st March 2016 is given below:

(Rs.'000)

	Dr.	Cr.
Stated Capital (200,000 Ordinary Shares)		2,000
Retained Earnings as at 01 st April 2015	4,860	
General Reserve		500
Property, Plant and Equipment at Cost:		
Motor Vehicles	8,500	
Machinery	6,400	
Furniture and Fittings	3,000	
Accumulated Depreciation as at 01 st April 2015:		
Motor Vehicles		2,125
Machinery		2,400
Furniture and Fittings		1,800
Inventory as at 31 st March 2016	2,460	
Trade Receivables / Trade Payables	3,910	1,873
Cash in hand and at Bank	250	
12% Debentures		5,000
Dividends Paid	250	
Sales		38,520
Cost of Sales	15,646	
Administration Expenses	3,545	
Distribution Expenses	2,066	
Finance Expenses	331	
Income Tax Paid	3,000	
Total	54,218	54,218

The following additional information is also provided:

- (1) On 30th September 2015, the company issued 50,000 numbers of debentures of Rs. 100/- each. The interest is to be paid bi-annually at 12% per annum. Interest payment for the six months ended 31st March 2016 has been made on 01st April 2016.
- (2) The flood occurred in the night of 20th March 2016 and inventory costing Rs. 750,000/- was completely damaged. The insurance company finalized the claim on 31st March

2016 and agreed to pay 80% of the cost of the inventory as the claim. No entries were made in the books of accounts to record this occurrence.

- (3) Property, Plant and Equipment are to be depreciated on the straight-line basis. The useful life of the assets are as follows:

Motor Vehicles	: 4 years
Machinery	: 8 years
Furniture and Fittings	: 5 years

- (4) The following accruals and prepaid expenses are to be accounted as at 31st March 2016:

	Accrued (Rs.)	Pre-payment (Rs.)
Insurance	-	8,000
Audit Fees	70,000	-

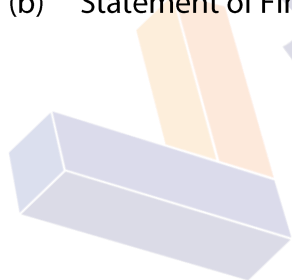
- (5) It was decided to make an allowance of Rs. 350,000/- against a doubtful receivable balance.
- (6) The Income Tax Liability for the year of assessment 2015/16 is estimated to be Rs. 3,200,000/-. There was no income tax liability for the previous year of assessment. The company has paid Rs. 3,000,000/- as self-assessment income tax payments for the year of assessment 2015/16.
- (7) The financial statements were authorized for issue by the Board of Directors on 21st May 2016.

You are required to,

Prepare following for the use of the management of Web Fabs (Pvt) Ltd.:

- (a) Statement of Comprehensive Income for the year ended 31st March 2016. (12 marks)
- (b) Statement of Financial Position as at 31st March 2016. (13 marks)

(Total 25 Marks)



2016 Jul Question 10

The Trial Balance extracted from the books of accounts of Blueco (Pvt) Ltd. As at 31st March 2016 is given below.

(Rs.'000)

	Dr.	Cr.
Stated Capital (1,000,000 Ordinary Shares)		35,000
Retained Earnings as at 01 st April 2015		15,600
General Reserve		7,500
10% Debenture		8,000
Property, Plant and Equipment at Cost:		
Motor Vehicles	43,000	
Machinery	20,500	
Furniture and Fittings	4,500	
Accumulated Depreciation as at 01 st April 2015:		
Motor Vehicles		3,750
Machinery		2,000
Inventory as at 31 st March 2016	6,200	
Trade Receivables / Trade Payables	5,650	1,880
Cash at Bank	950	
Sales		25,000
Cost of Sales	10,700	
Administration Expenses	3,920	
Distribution Expenses	2,800	
Interest on Debenture	400	
Income Tax Paid	110	
Total	98,730	98,730

The following additional information is also provided:

- (1) Property, Plant and Equipment are to be depreciated on the straight-line basis at cost. The useful life of the assets are estimated as follows:

 Building : 20 years

 Motor Vehicles : 4 years

- (2) The following accrued and prepaid expenses as at 31st March 2016 are to be accounted for:

Rs.

Prepaid Rent	25,000
Accrued Electricity	8,000

(3) Further information on Income Tax are as follows:

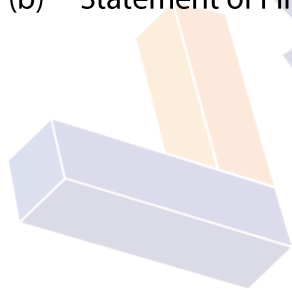
- Income Tax Liability for the year of assessment 2015/16 is estimated to be Rs 250,000/- and is to be recorded in the books of accounts.
 - All Income Tax payments made during this accounting year have been debited to income tax paid account.
 - The Income Tax for the year of assessment 2014/145 was under provided by Rs. 50,000/- and it is to be adjusted for.
- (4) A trade receivable balance of Rs. 50,000/- as at 31st March 2016 from Perera was decided to be written-off as bad debt. Provision for doubtful debts of 5% should be provided on balance trade receivable balance at the end of the year.
- (5) On 1st April 2015, the company issued 80,000 debentures of Rs. 100/- each. Interest is to be paid bi-annually on 30th September and on 31st March of every year. However, cheque in relation to the interest for the half year ended 31st March 2016 has been raised on 01st April 2016.
- (6) On 10th April 2016, the Board of Directors has decided to pay a final dividend of Rs. 5/- per ordinary share against the profit for the year ended 31st March 2016.
- (7) The financial statements were authorized for issue by the Board of Directors on 05th May 2016.

You are required to,

Prepare following for the use of the management of Blureco (Pvt) Ltd.:

- (a) Statement of Comprehensive Income for the year ended 31st March 2016. (12 marks)
- (b) Statement of Financial Position as at 31st March 2016. (13 marks)

(Total 25 Marks)



2016 Jan

The Trial Balance of Rumesh (Pvt) Ltd. As at 31st March 2015 is given below:

	Dr. (Rs'000)	Cr. (Rs'000)
Revenue		436,000
Cost of Sales	290,930	
Distribution Expenses	33,500	
Administrative Expenses	51,650	
Dividends Paid	2,200	
Interest on Bank Overdraft	100	
Property, Plant and Equipment at cost:		
Land	30,000	
Building	70,000	
Office Equipment	55,500	
Accumulated Depreciation as at 01 st April 2014:		
Building		25,000
Office Equipment		23,500
Cash in Hand	1,000	
Inventory as at 31 st March 2015	60,000	
Trade Receivables / Trade Payables	63,000	62,200
Allowance for Receivables as at 01 st April 2014		1,600
Accrued Expenses as at 01 st April 2014		330
Bank Overdraft		5,000
Ordinary Shares (500,000 ordinary shares as at 01 st April 2014)		50,000
Retained Earnings as at 01 st April 2014		45,750
Income Tax provision for the year ended 31 st March 2014		8,500
Total	657,880	657,880

The following additional information is also provided:

- (1) One of the customers who owed Rs. 1,500,000/- to the company died on 01st July 2015, and the amount due from him became irrecoverable. It was decided to maintain the allowance for receivables at 5% of the year-end balance.
- (2) Property, Plant and Equipment are to be depreciated on the straight-line basis at cost. The useful life of the assets are estimated as follows:

Buildings	: 20 years
Office Equipment	: 5 years

- (3) The composition of the Accrued Expenses as at 01st April 2014 is as follows:

	Rs.
Insurance Premium	130,000
Equipment Maintenance Expenses	200,000

During the year ended 31st March 2015, the company has paid Rs. 260,000/- as insurance premium and Rs. 350,000/- for equipment maintenance and both the expenses have been included under administration expenses.

As at 31st March 2015, an amount of Rs. 35,000/- is payable for the insurance premium while an amount of Rs. 20,000/- has been paid in advance on equipment maintenance.

- (4) The income tax liability for the previous year of assessment (i.e. 2013/14) has been finalized as Rs. 8,250,000/- and paid in full in the current year of assessment. However, the book keeper has charged the said payment to administration expenses.

The total income tax liability for the year of assessment 2014/15 is estimated to be Rs. 9,300,000/-.

- (5) On 01st August 2014, the company made a right issue of two new shares for every five shares held as at 01st April 2014 at Rs. 100/- each. The right issue was fully subscribed and the proceeds were credited to trade payables.

You are required to,

Prepare following for the use of the management of Ruemesh (Pvt) Ltd.:

- (a) Statement of Comprehensive Income for the year ended 31st March 2015. (13 marks)
 (b) Statement of Financial Position as at 31st March 2015. (12 marks)

(Total 25 Marks)



2015 Jan

The following Trial Balance is extract from the books of Power (Pvt) Ltd as at 31st March 2014

Trial balance as at 31st March 2014

	Dr. (Rs'000)	Cr. (Rs'000)
Sales		150,000
Expenses	113,500	
Trade Receivables / Trade Payables	15,000	11,600
Cash in hand and at bank	8,200	
Provision for Income Tax for the year of assessment 2012/13		1,600
Income Taxes Paid	11,200	
Interim Dividends Paid	2,000	
Land and Buildings at cost (Land value is Rs. 29,000,000/-)	78,050	
Motor Vehicles at cost	24,000	
Office Equipment at cost	6,200	
Provision for Depreciation as at 01 st April 2013:		
Buildings		16,350
Motor Vehicles		8,950
Office Equipment		1,650
Bank Loan		3,800
Inventories as at 31 st March 2014	23,000	
Stated Capital – 600,000 Ordinary Shares		65,000
Prepayments and Accruals as at 01 st April 2013	900	1,300
General Reserves		10,800
Retained Earnings as at 01 st April 2013		3,800
Total	282,050	282,050

The following additional information is also provided:

- (1) The expenses given in the trial balance consist of the following items:

	Rs.'000
Cost of Sales	52,100
Distribution Expenses	24,200
Administration Expenses	26,700
Finance Expenses	10,500
Total	113,500

- (2) The net realizable value of the inventories as at 31st March 2014 is estimated to be Rs. 21,900,000/-.
- (3) Total income tax liability for the year of assessment 2012/13 was finalized as Rs. 1,480,000/- and it was settled in full during the year. The income tax liability for the year of assessment 2013/14 is estimated to be Rs. 12,000,000/-.
- (4) A lorry, with a cost of Rs. 1,800,000/- and accumulated depreciation of Rs. 500,000/- as at 01st April 2013 met with an accident on 01st December 2013. The lorry was completely condemned due to accident. The insurance company has agreed to pay 70% of the cost of the lorry as the insurance claim on 31st March 2014. No entries have been made in the books of accounts regarding this.
- (5) Property, Plant & Equipment are to be depreciated on the straight-line basis at cost. The estimated useful lives of the assets are as follows:
- | | |
|------------------|------------|
| Buildings | - 15 Years |
| Motor Vehicles | - 4 Years |
| Office Equipment | - 4 Years |
- (6) A trade receivable balance of Rs. 20,000/- as at 31st March 2014 from Funny was decided to be written-off as bad debt.
- (7) Bank loan was obtained on 01st March 2014 at the interest rate of 15% per annum. It is repayable in 30 equal monthly loan installments starting from 01st April 2014.
- (8) Details of accruals and prepayments as at 31st March 2013 and 31st March 2014 were follows:

	As at 31.03.2013		As at 31.03.2014	
	Accrual	Pre-payments	Accrual	Pre-payments
Distribution Expenses	510	900	110	630
Administration Expenses	790	-	-	410

- (9) The Board of Directors has decided to transfer an amount of Rs. 8,000,000/- from retained earnings to general reserves at the meeting held on 31st March 2014. Required entries have not been recorded in the books of accounts.

You are required to,

Prepare the following for the use of the management of Power (Pvt) Ltd.:

- (a) Statement of Comprehensive Income for the year ended 31st March 2014. (11 marks)
- (b) Statement of Financial Position as at 31st March 2014. (14 marks)

(Total 25 Marks)

2014 Jul

The following Trial Balance is extracted from the books of Sun Bright (Pvt) Ltd. A company engaged in buying and selling solar power generating systems:

Trial Balance as at 31st March 2014

	Dr. (Rs'000)	Cr. (Rs'000)
Purchases / Sales	98,000	190,000
Administration Expenses	22,000	
Distribution Expenses	14,000	
Finance Expenses	7,500	
Interim Dividend Paid	8,000	
Income Tax Paid	4,200	
Cash in hand / Bank overdraft	350	1,850
Pre-payments / Accrued expenses as at 01 st April 2013	400	500
Trade Receivables / Trade Payables	11,000	8,500
Inventories as at 01 st April 2013	9,900	
Provision for income tax for the year of assessment 2012/13		3,900
Stated Capital (400,000 Ordinary Shares)		52,000
General Reserves		16,500
Retained Earnings as at 01 st April 2013		12,000
10% Debentures (Interest to be paid every six months)		6,000
Property, Plant and Equipment at cost	145,000	
Accumulated Depreciation as at 01 st April 2013		22,000
New share issue account		5,000
Proceeds from disposal of motor vehicle		2,100
Total	320,050	320,050

The following additional information is also provided:

- (1) The company closed for operations on 31st March 2014 for physical stock verification and valued the inventories as follows:
 - at cost - Rs. 9,775,000/-
 - at Net Realizable Value (NRV)- Rs. 10,200,000/-
- (2) A flood occurred in the night of 29th March 2014 and a stock costing Rs. 960m000/- was completely damaged. The insurance company finalized the claim on 31st March 2014 and agreed to pay 75% of the cost of inventory as claim. No entries were made in the books of accounts to record this incident.

- (3) Credit balance of Rs. 1,850,000/- of cash at bank was extracted from the bank column of the Cash Book prior to reconciling with the March 2014 bank statement. Upon receipt of the bank statement for the month of March 2014, the following items which have not been considered in the cash book were revealed:
- A direct deposit made by a trade debtor, amounting to Rs. 1,050,000/- has been credited to the bank on 30th March 2014.
 - The bank has debited bank charges of Rs. 5,000/- and overdraft (OD) interest of Rs. 105,000/- on 31st March 2014.
- (4) On 21st March 2014, the company has capitalized general reserves of Rs. 10,000,000/- to make a bonus issue for existing ordinary shareholders. No accounting entries have been made in the books of accounts on this capitalization.
- (5) Right after the above capitalization, on the same, 40,000 new shares were issued at Rs. 125/- per share to the existing shareholders by collecting the full value in cash. Monies collected on the share issue have been debited to cash book and credited to the "new share issue account".
- (6) A motor vehicle was disposed for Rs. 2,100,000/- on 31st March 2014. The cost of this vehicle was Rs. 3,000,000/- and accumulated depreciation as at 01st April 2013 was Rs. 750,000/-. Other than recording the sale proceeds no entries have been made in the books of accounts.
- (7) The breakup of Property, Plant and Equipment is as follows:

Property, Plant and Equipment	Cost as at 31.03.2014 (Rs.'000)	Accumulated Depreciation as at 01.04.2013 (Rs.'000)	Estimated useful life
Land	50,000	-	-
Building	60,000	6,000	20 Years
Office Equipment	11,000	4,000	5 years
Motor Vehicles	24,000	12,000	4 years
	145,000	22,000	

Property, Plant and Equipment are to be depreciated on the straight-line basis at cost.

- (8) Total income tax liability for the year of assessment 2012/13 was finalized as Rs. 4,000,000/- and it was settled during the year. The income tax liability for the year of assessment 2013/14 is estimated to be Rs. 4,300,000/-.
- (9) Details of accrued expenses and pre-payments are as follows:

	As at 31.03.2014		As at 31.03.2013	
	Accrued expenses	Pre-payments	Accrual expenses	Pre-payments
Administration Expenses	60,000	-	-	400,000
Distribution Expenses	-	200,000	500,000	-

(10) The Accountant has not incorporated any required entries as at 31st March 2014 in the books of accounts for the following decisions taken at the Board Meeting held on 31st March 2014:

- To transfer Rs. 10,000,000/- to the General Reserve from Retained Earnings as at 31st March 2014.
- To pay Debenture Interest for the second half of the year ended 31st March 2014 on 01st april 2014.



2014 Jan

- (A) List two (02) documents to be submitted to incorporate a private limited company under the Companies Act No. 07 of 2007 (02 marks)
- (B) The following Trial Balance is extracted from the books of accounts of Accurate Measure (Pvt) Ltd. A company engaged in importing & selling of measuring instruments.

Trail Balance as at 31st March 2013

	Dr. (Rs'000)	Cr. (Rs'000)
Stated Capital (2,000,000 Ordinary Shares)		40,000
Retained Earnings as at 01 st April 2012		10,500
12% Debentures		6,000
Property, Plant & Equipment at Cost:		
Land	18,300	
Building	35,000	
Motor Vehicles	15,875	
Machinery	14,320	
Office Equipment	6,060	
Accumulated Depreciation as at 01 st April 2012:		
Building		11,000
Motor Vehicles		9,350
Machinery		2,300
Office Equipment		2,075
Payment for the New Vehicle	1,000	
Inventory as at 01 st April 2012	12,355	
Trade Receivables / Trade Payables	13,760	7,300
Cash in Hand	500	
Provision for Income Tax for the Year of Assessment 2011/12		6,000
Bank Overdraft		9,800
Sales		211,575
Purchases	122,705	
Distribution Expenses	11,155	
Administration Expenses	30,800	
Finance Expenses	12,200	
Income Tax Paid	8,370	

Interim Dividends Paid	13,500	
Total	315,900	315,900

The following additional information is also provided:

- (1) The physical inventories balance as at 31st March 2013 consists of five different types of measuring instruments as detailed below:

Product	No. of units available	Cost per unit (Rs.)	Net Realizable Value (NRV) per unit (Rs.)
AM 1	500	11,300	12,000
AM 2	200	6,800	6,400
AM 3	50	9,500	8,800
AM 4	40	25,550	27,000
AM 5	40	8,100	7,700

The company's policy is to value its inventories on individual item basis.

- (2) There was a robbery reported in the stores on 20th March 2013 and subsequent investigations revealed that a stock cost of Rs. 1,700,000/- was lost. In response to the loss of stocks, the insurance company has agreed to pay 90% of the cost of goods as the insurance claim on 31st March 2013. No entries have been made in the books of accounts regarding this.
- (3) Property, Plant and Equipment are to be depreciated on the straight line method at cost and estimated useful life of the assets are as follows:

Building	20 years
Motor Vehicles	5 years
Machinery	8 years
Office Equipment	4 years

- (4) A motor vehicle which was purchased on 30th June 2011 at a cost of Rs. 2,400,000/- was valued at Rs. 1,725,000/- and was given in part exchange for a new vehicle valued at Rs. 2,725,000/- on 31st March 2013. In this regard, no entries have been made in the books of accounts other than accounting for the cash payment of Rs. 1,000,000/-.
- (5) Administration expenses include rent paid for the office for a period of one year from 01st July 2012 at a monthly rent of Rs. 250,000/-.
- (6) Accrued audit fee as at 31st March 2013 is Rs. 275,000/-.
- (7) Tax liability for the year 2011/12 is finalized as Rs. 4,350,000/- which was paid during the year. The total income tax liability for the year of assessment 2012/13 is estimated as Rs. 8,500,000/-.
- (8) As per the debenture certificates, interests are to be paid on every six months, as follows:

Period	Due Date
01 st April to 30 th September	01 st October
01 st October to 31 st March	1 st April

However the debenture interest has not been accounted for the 02nd half of the year.

You are required to,

Prepare the use of the management of Accurate Measure (Pvt) Ltd. The following:

- (a) Statement of Comprehensive Income (Income Statement) for the year ended 31st March 2013. (12 marks)
 - (b) Statement of Financial Position (Balance Sheet) as at 31st March 2013. (11 marks)
- (Total 25 Marks)



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2013 Jul

- (A) State two (02) differences between Private Limited Companies and Public Limited Companies as per the Companies Act. (02 marks)
- (B) The following Trial Balance is extracted from the books of accounts of Sunshine Ltd. as at 31st March 2013.

Trail Balance as at 31st March 2013

	Dr. (Rs'000)	Cr. (Rs'000)
Stated Capital (1,700,000 Ordinary Shares)		34,000
General Reserves as at 01 st April 2012		12,700
Retained Earnings as at 01 st April 2012		7,950
Bank Loan		11,300
Property, Plant & Equipment at Cost:		
Land & Buildings (Land is Rs. 31,900,000/-)	66,890	
Motor Vehicles	10,640	
Machinery	7,630	
Furniture	3,600	
Accumulated Depreciation as at 01 st April 2012:		
Buildings		20,768
Motor Vehicles		5,987
Machinery		2,456
Furniture		1,867
Inventory as at 01 st April 2012	18,650	
Trade Receivable / Trade Payable	19,376	15,451
Pre Paid Office Rent as at 01 st April 2012	1,500	
Cash at Bank	5,456	
Cash in Hand	3,987	
Income Tax Provision as at 01 st April 2012 (For the year 2011/12)		2,100
Bank Overdraft		1,170
Sales		157,100
Purchases	94,380	
Distribution Expenses	14,640	
Administration Expenses	21,730	
Finance Expenses	3,830	

Other Income		6,463
Machinery Disposal Account		1,875
Income Tax Paid	5,678	
Interim Dividends Paid	3,200	
Total	281,187	281,187

The following additional information is also provided:

- (1) Physical stock verification was carried out on 29th March 2013 and the company closed for operations on 30th & 31st March 2013. The inventory was valued at Rs. 21,965,000/- at cost and the corresponding Net Realizable Value (NRV) of the inventory was Rs. 23,775,000/-.
- (2) Due to an electricity power leakage, a fire has occurred on 30th March 2013 in one of the stores and a stock costing of Rs. 3,289,000/- was completely damaged. However, no adjustments have been made to the closing inventory value given above while no accounting entries have been made to record this incident. The insurance company has agreed to pay Rs. 2,225,000/- as insurance claim on 31st March 2013 and no entries have been made for this in the books of accounts.
- (3) The machinery disposal account represents the sale proceeds of disposal of a machinery on 30th September 2012 which was partly damaged. This machinery was purchased on 01st April 2009 for Rs. 2,500,000/-. Other than recording of sale proceeds of disposal, no accounting entries have been recorded in the books with regard to the disposal. Further, a new machine with same specifications was bought on 01st October 2012 for Rs. 3,000,000/- to replace the disposed machine and the cost was recorded under machinery cost.
- (4) Property, Plant and Equipment are to be depreciated on the straight line basis at cost and estimated useful life of each of the assets is as follows:

Buildings	- 10 years
Motor Vehicles	- 7 years
Machinery	- 5 years
Furniture	- 6 years
- (5) The company has to pay an annual office rent of Rs. 3,600,000/- on 01st of September each year as per the office rent agreement. During the year, the company has paid the office rent accordingly and has recorded the entire payment under administration expenses.
- (6) Bank overdraft interest of Rs. 199,000/- charged by the bank during the month of March 2013 has not been recorded in the company's books of accounts.
- (7) It was estimated that electricity bill of Rs. 175,000/- and audit fees of Rs. 165,000/- are accrued as at 31st March 2013.
- (8) The financial total income tax liability for the year 2011/12 was Rs. 1,765,000/- which was paid during the year. The total income tax liability for the year 2012/13 is estimated as Rs. 5,364,000/-.

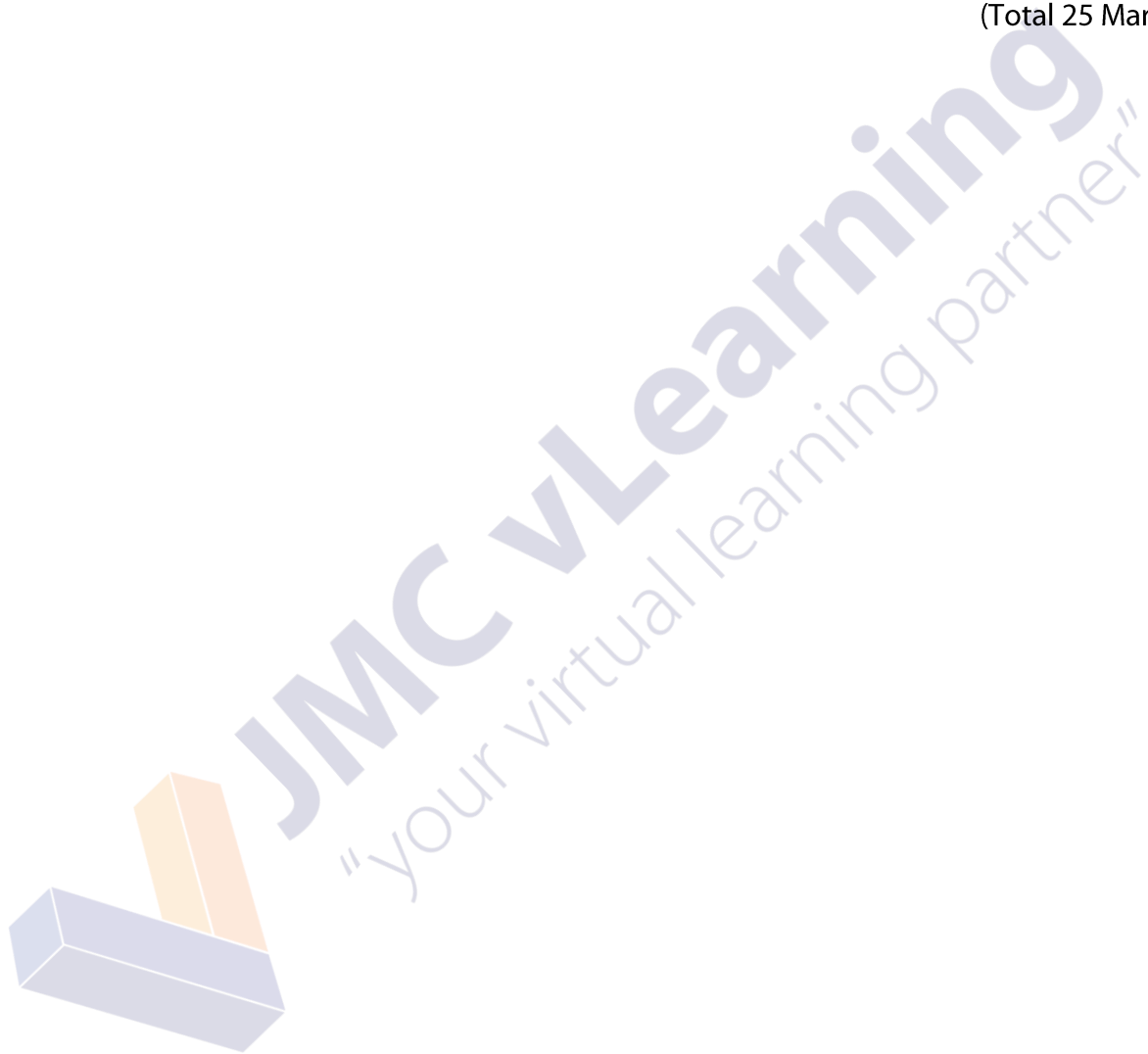
- (9) The Board of Directors has decided to transfer Rs. 2,500,000/- to the General Reserve account at the Meeting held on 31st March 2013. Required accounting entries have not been recorded in the books of accounts.

You are required to,

Prepare for the use of the management of Sunshine Ltd. The following:

- (a) Statement of Comprehensive Income (Income Statement) for the year ended 31st March 2013. (12 marks)
- (b) Statement of Financial Position (Balance Sheet) as at 31st March 2013. (11 marks)

(Total 25 Marks)



2013 Jan

- (A) State the difference between a Rights Issue and Capitalization of Reserves (a Bonus Issue). (02 marks)
- (B) The Trial Balance as at 31st March 2012 of Kevin Ltd. after preparing the trading account was extracted as follows:

Trail Balance as at 31st March 2012

	Dr. (Rs'000)	Cr. (Rs'000)
Property Plant & Equipment at cost:		
Land & Buildings (Cost of Land is Rs. 13,750,000)	31,000	
Motor Vehicles	11,900	
Office Equipment	8,900	
Accumulated Depreciation as at 01 st April 2011		
Buildings		3,250
Motor Vehicles		5,800
Office Equipment		2,300
Inventories as at 31 st March 2012 at cost	1,750	
Trade Receivables / Trade Payables	6,980	1,350
Insurance paid in advance as at 01 st April 2011 (for the year 2011/12)	300	
Cash in Hand	1,585	
Stated Capital (1,600,000 Ordinary Shares)		20,000
General Reserves		4,040
Retained Earnings as at 01 st April 2011		6,950
14% Debentures (Issued on 01 st October 2011)		2,700
Income Tax Paid During the year	4,250	
Provision for Income Tax for the year of assessment 23010/11		2,700
Proceeds from Disposal of Motor Vehicle		3,250
Provision for doubtful debt as at 01 st April 2011		150
Short Term Loan		875
Bank Overdraft		405
Gross Profit for the year		26,685
Other Income		200
Distribution Expenses	6,000	

Administration Expenses	6,500	
Finance Expenses	390	
Dividends Paid	1,100	
Total	80,655	80,655

The following additional information is also provided:

- (1) The company sells two products called product "X" and product "Y". The cost and the Net Realizable Value (NRV) of the inventories as at 31st March 2012 were valued as follows:

Product	Cost (Rs.)	Net Realizable Value (Rs.)
X	750,000	800,000
Y	1,000,000	925,000
Total	1,750,000	1,725,000

The company's policy is to value its inventories on individual item basis.

- (2) The company has capitalized retained earnings to make a bonus issue on 31st March 2012 at a value of Rs. 12.50 each for existing ordinary shareholders on the basis of one share for every 10 shares held at 31st March 2012. No accounting entries have been made in the books of accounts on this bonus issue.
- (3) A motor vehicle was disposed for Rs. 3,250,000/- on 31st March 2012. The cost of this vehicle was Rs. 5,000,000/- and accumulated depreciation as at 01st April 2011 was Rs. 2,2,50,000/-. No entries other than recording the sales proceeds have been made in the books of accounts.
- (4) Property Plant & Equipment are to be depreciated on the straight-line basis at cost, and the estimated useful life of the assets are as follows:

Assets	Period
Buildings	10 years
Motor Vehicle	4 years
Office Equipment	5 years

- (5) Accrued Expenses as at 31st March 2012 were as follows:

	Rs.
Audit Fees	276,000
Adverting Expenses	175,000

- (6) An amount of Rs. 2,350,000/- which has been paid as insurance premium by the company during the year, was recorded under administration expenses. An amount of Rs. 320,000/- out of this amount has been paid for the next year (2012/13).
- (7) Debenture Interest relevant for the period was not paid or provided in the books of the company.

- (8) Total Income Tax Liability for the year of assessment 2010/11 was finalized as Rs. 3,225,000/- which was paid during the year. The income tax liability for the year of assessment 2011/12 is estimated as Rs. 2,565,000/-.
- (9) Provision for doubtful debts of 5% should be provided on trade receivable balance at the end of the year.

You are required to,

Prepare for the use of the management of Kevin Ltd., the following:

- (a) Comprehensive Income Statement (Income Statement) for the company for the year ended 31st March 2012. (13 marks)
- (b) Statement of Financial Position (Balance Sheet) as at 31st March 2012. (10 marks)

(Total 25 Marks)



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2012 Jul

- (B) The following Trial Balance was extracted from the books of accounts of Happy (Pvt) Ltd as at 31st March 2012.

Trail Balance as at 31st March 2012

	Dr. (Rs'000)	Cr. (Rs'000)
Property Plant & Equipment (at carrying value/net book type)		
Freehold Land & Buildings (Cost of Land is Rs. 9,560,000/-)	12,560	
Motor Vehicles	1,920	
Furniture & Fittings	520	
Depreciation for the current year:		
Buildings	750	
Motor Vehicles	480	
Furniture & Fittings	130	
Trade Receivables / Trade Payables	7,000	2,500
Provision for Income Tax for the year of assessment 2010/11		600
Salaries & Wages	2,450	
Bank Overdraft Balance		481
Pre Payments – Electricity	9	
Stated Capital – 150,000 Ordinary Shares		1,500
General Reserves		450
Retained Profit as at 01 st April 2011		2,500
Provision for Doubtful debt as at 01 st April 2011		400
Interim Dividend Paid	375	
Sales		55,600
Purchases through imports	15,800	
Custom Duty, Freight, Insurance & Clearing Charges	5,800	
Local Purchases	14,715	
Inventory as at 01 st April 2011	600	
Electricity Expenses	50	
Bank Overdraft Interest	180	
Vehicle Running and Maintenance Expenses	630	
Security Charges	122	
Telephone Expenses	90	

Other Income		150
Total	64,181	64,181

The following additional information is provided:

- (1) Inventories as at 31st March 2012 were as follows:
 - A stock amounting to Rs. 10,000/- was completely damaged due to floods on 28th March 2012 and the insurance company has agreed to pay Rs. 9,000/- as a claim on 31st March 2012. No entries have been made for this in the books of accounts.
 - Other stocks were valued at Rs. 1,350,000/- as at 31st March 2012.
- (2) The value of the Property, Plant and Equipment shown in the Trial Balance has been arrived at after charging the following accumulated depreciation as at 31st March 2012:

	Rs.
Buildings	4,500,000
Motor Vehicles	2,880,000
Furniture & Fittings	780,000

- (3) A provision for Doubtful debts of 5% should be made on the Trade Receivable balance at the end of the year.
- (4) The Board of Directors at their meeting held on 05th April 2012 has taken the decision to transfer Rs. 500,000/- to General Reserve Account.
- (5) The tax liability of the company for the year was estimated as Rs. 2,500,000/-.
- (6) Income tax amounting to Rs. 700,000/- has been paid during the current year. However, this payment has been erroneously debited to the local purchases account by the Book-keeper.

You are required to,

Prepare for the use of the management of Happy (Pvt) Ltd., the following:

- (a) Comprehensive Income Statement (Income Statement) for the company for the year ended 31st March 2012. (14 marks)
- (b) Statement of Financial Position (Balance Sheet) as at 31st March 2012. (08 marks)

(Total 25 Marks)

2012 Jan

The following Trial Balance was extracted from the books of Techno First (Pvt) Ltd as at 31st March 2011.

Trail Balance as at 31st March 2011

	Dr. (Rs'000)	Cr. (Rs'000)
Stated Capital – 600,000 Ordinary Shares		72,000
General Reserves		6,000
Retained Earnings as at 01 st April 2010		3,200
Property Plant & Equipment at Cost		
Land & Buildings (Cost of Land is Rs. 25 million)	75,000	
Office Equipment	12,200	
Furniture & Fittings	8,800	
Motor Vehicles	24,200	
Provision for Depreciation as at 01 st April 2010		
Buildings		20,500
Office Equipment		4,880
Furniture & Fittings		3,520
Motor Vehicles		7,800
Inventories as at 31 st March 2011	7,400	
Cost of Sales/Turnover (Sales)	34,000	64,000
Trade Receivables / Trade Payables	8,800	7,300
Provision for Doubtful Debts as at 01 st April 2010		370
Cash in Hand and at Bank	520	
Fixed Deposits	6,750	
Income Tax Paid	2,100	
Administration Expenses	3,900	
Selling & Distribution Expenses	3,500	
Finance Expenses	2,100	
12% Bank Loan		1,800
Interim Dividends Paid	3,000	
Interest Received		900
Total	192,270	192,270

The following additional information is provided:

- (1) In arriving at the value of closing stocks as at 31st March 2011 a stock sheet which includes fast moving items costing Rs. 55,000/- was not taken into account due to an oversight.
- (2) A motor vehicle cost of Rs. 1,200,000/- was transferred to "X" as a part exchange for a new vehicle value of Rs. 3,000,000/- from 'X' on 01st April 2010. Accumulated depreciation of the Motor Vehicle transferred was Rs. 500,000/- at the date of exchange.

The agreed balance amount of this transaction of Rs. 2,200,000/- was paid in cash and debited to the Motor Vehicle account. No other entries have been made in this regard.

- (3) Assets are to be depreciated on straight line basis at cost as follows:

Buildings	5% per annum
Office Equipment	20% per annum
Furniture & Fittings	20% per annum
Motor Vehicles	25% per annum

- (4) Bank loan was obtained on 01st March 2011 and capital is repayable in 12 equal monthly instalments along with the relevant interest thereon. Interest on outstanding balance for the previous month and capital component of the loan are payable on the first day of each month commencing from 01st April 2011.
- (5) An amount of Rs. 40,000/- due from Malan cannot be recovered and hence decided to write it off. A general provision of 5% should be made from the balance trade receivable as at 31st March 2011.
- (6) Accrued expenses and prepayments as at 31st March 2011 are as follows:

	Accrued Expenses (Rs.)	Prepayment (Rs.)
Selling & Distribution Expenses	-	102,000
Administration Expenses	261,000	-

- (7) Tax payable for the year is estimated as Rs. 2,200,000/-.
- (8) It was decided to transfer Rs. 1,000,000/- to the General Reserves by the Board of Directors at its meeting held on 02nd April 2011.

You are required to,

Prepare for the use of the management of Techno First (Pvt) Ltd., the following:

- (a) Income Statement for the year ended 31st March 2011. (15 marks)
- (b) Statement of Financial Position (Balance Sheet) as at 31st March 2011. (10 marks)

(Total 25 Marks)

2011 Jun

The following Trial Balance was extracted from the books of Rainbow Limited as at 31st March 2011.

	Dr. (Rs'000)	Cr. (Rs'000)
Stated Capital – Ordinary Shares (2 million shares)		40,000
Preference Share Capital (1 million shares)		20,000
12% Debentures (Interest to be paid on 30 th September & on 31 st March of each year)		15,000
Retained Earnings, as at 01 st April 2010		17,500
General Reserves, as at 01 st April 2010		10,100
Investment Income		1,500
Property Plant & Equipment (at Cost), as at 31 st March 2011		
Land & Buildings (Land Value is Rs. 30 million)	96,000	
Office Equipment	16,000	
Motor Vehicles	40,000	
Furniture & Fittings	5,000	
Provision for Depreciation, as at 01 st April 2010		
Buildings		31,000
Office Equipment		16,000
Motor Vehicles		19,600
Furniture & Fittings		2,150
Inventories	22,300	
Accounts Receivables & Accounts Payables	16,750	14,150
Cash at Bank - Account No. 01	19,300	
Cash at Bank - Account No 02		3,000
Cash in Hand	2,200	
Investments – in shares	14,910	
VAT Control Account		10,500
Cash received on account of rights issue		5,000
Provision for doubtful debts, as at 01 st April 2010		750
Prepayments and accrued expenses, as at 01 st April 2010	140	1,320
Preference Shares dividend paid for the year	1400	
Administration and Establishment Expenses	21,770	

Selling and Distribution Expenses	10,300	
Advertising	8,500	
Bank Charges & Overdraft Interest	1,100	
Debenture Interest Paid	900	
Trading profit for the period ended 31 st March 2011		69,000
Total	276,570	276,570

The following additional information is provided:

- (1) Depreciation is to be provided by using the straight line method and the rates are as follows:

Buildings	-	5% per annum
Office Equipment	-	10% per annum
Motor Vehicle	-	25% per annum
Furniture & Fittings	-	25% per annum
- (2) During the year a new showroom has been constructed in a land that belongs to the company at a cost of Rs. 8 million. The construction was completed and the showroom was opened on 01st January 2011. The total construction cost has been debited to the land & building account.
- (3) A van purchased on 01st April 2008 for Rs. 2.8 million & used for delivery purposes was disposed on 30th June 2010 for a sum of Rs. 1.8 million. The proceeds have been credited to the sales account. No other entries were made in the company's books. There were no other movements in the property, plant & equipment during the year.
- (4) The following shortcomings were identified after preparing the Trading Account. However these shortcomings have not been rectified yet:
 - (i) A credit purchase supported with a tax invoice has been completely omitted from the books. The value of the invoice inclusive of VAT at the rate of 12% is Rs. 1,0008,000/-.
 - (ii) The goods costing Rs. 1.2 million has been donated during the year. No entries were made in this regard.
 - (iii) Bank has charged Rs. 115,000/- as the Overdraft interest and Rs. 5,000/- as the Bank charges on No. 02 account for the month of March 2011 and these have not been accounted for.
 - (iv) A foreign trade fair expense of Rs. 1.9 million which was incurred in relation to the Marketing has been erroneously included in the administration expenses.
- (5) Details which relate to accruals and Prepayments as at 01st April 2010 and 31st March 2011 were as follows:

	Prepayments as at		Accruals as at	
	01.04.2010	31.03.2011	01.04.2010	31.03.2011
Electricity	110	-	-	180
Advertising	-	-	-	175
Telephone	-	70	120	1
Water	30	50	-	-
Salaries and Wages	-	-	1,200	1,300

- (6) It has been decided to write off an amount of Rs. 500,000/- receivable from a trade debtor and to adjust the provision for doubtful debts equivalent to 4% of the outstanding Accounts Receivables.
- (7) Debentures have been issued on 01st April 2009.
- (8) The board of directors at their meeting held on 31st March 2011 has taken the following decisions to be effective on the same date. However the required entries have not yet been incorporated in to the accounts.
- (i) A right issue has been made to all existing ordinary share holders and issued on (01) share each for every two (02) shares held as at 31st March 2011 for a value of Rs. 5/- per share which they have already been subscribed.
- (ii) To transfer Rs. 15 million to General reserves from the retained earnings as at 31st March 2011.
- (iii) To declare & pay the balance preference share dividends of Rs. 1.60 per share for the year. However the settlement cheques have been dated & released only on 01st April 2011.

You are required to,

Prepare the following for the use of the management of Rainbow Limited,

- (a) Income Statement for the year ended 31st March 2011. (14 marks)
- (b) Balance Sheet as at 31st March 2011. (11 marks)

(Total 28 Marks)

2010 Jun

The following Trial Balance was extracted from the books of Luxmi (Pvt) Ltd as at 31st March 2009.

	Dr. (Rs'000)	Cr. (Rs'000)
Sales	-	10,000
Cost of Sales	7,500	-
Other Income	-	1,500
Administration Expenses	1,200	-
Distribution Expenses	500	-
Other Operating Expenses	200	-
Finance Expenses	100	-
Plant & Equipment, at cost / Revaluation	5,000	
Provision for depreciation, as at 01 st April 2008	-	2,000
Long Term Investments – Governments Bonds	1,200	-
Inventories, as at 31 st March 2009	2,100	-
Accounts Receivables / Accounts Payables	3,200	2,400
Bank Balance	-	210
Cash in Hand	450	-
Stated Capital – Ordinary Shares (300,000 shares)	-	3,500
Dividends Paid	900	-
Plant & Equipment Revaluation Reserve as at 01 st April 2008	-	1,600
12% Debentures	-	650
Retained Earnings	-	300
Difference in Trial Balance	-	190
Total	22,350	22,350

The following additional information is provided:

- (1) The double entries passed in the ledger included the following erroneous entries. It was observed that the narrations in each case were correctly written.

	Dr. Rs.	Cr. Rs.
Sales	140,000	-
Accounts Receivable (Recording credit sales of Rs. 140,000)		40,000
Accounts Payable	320,000	-

Cash	-	230,000
(Settlement of creditors of Rs. 230,000)		

The difference in the Trial Balance has been caused as a result of these errors.

- (2) The following expenses were accrued as at 31st March 2009:

	Rs.
Audit Fees	50,000
Electricity	5,000
Directors Fee	40,000

- (3) Although the Board of Directors made the following decisions, required entries for the current year have not been incorporated into the books of account.

- To incorporate the current value of Plant & Equipment of Rs. 2,500,000/- determined by a professional valuar as at 01st April 2008 into the books of account. Depreciation charge is 15% per annum on revalued value.
- To write-off two debtors totaling Rs. 380,000/-, and to maintain a general provision for doubtful debts at 4% of the balance remaining trade debtors (You may assume that the entire Accounts Receivables was made up of trade debtors).
- To rectify the valuation of closing Inventories and thereby reduce the value to Rs. 2,000,000/- from Rs. 2,100,000/-.

- (4) The month end balance appearing in the bank statement received for the month of March 2009 was in agreement with the cash book bank balance. However, when matching the entries it was revealed that the following entries were unrecorded in the cash book.

- Interest income of Rs. 200,000/- on call deposits held in March 2009 was not entered in the cash book.
- Debt tax of Rs. 23,000/- for the month of March 2009 has not been entered in the cash book.
- Overdraft interest of Rs. 177,000/- for the month of March 2009 has not been incorporated into the cash book.

- (5) The payment cheques of the annual interest on Debentures for the financial year 2008/09 have been released on 31st March 2009. However, those have not been recorded in the books of account as at 31st March 2009.

- (6) Tax liability for the year was estimated as Rs. 250,000/-.

You are required to,

Prepare the following for the use of the management,

- (a) Income Statement for the year ended 31st March 2009. (12 marks)
- (b) Balance Sheet as at 31st March 2009. (09 marks)

(Total 25 Marks)

2010 Dec

- (A) What are the different types of companies which could be incorporated under Section 3 of the Companies Act No. 07 of 2007. (02 marks)
- (B) The following Trial Balance was extracted from the books of account of Gajaba Ltd. as at 31st March 2010:

	Dr. (Rs'000)	Cr. (Rs'000)
Turnover	-	14,000
Cost of Sales	5,500	-
Other Income	-	1,500
Provision for doubtful debts, as at 01 st April 2009	-	100
Trade Receivables	1,800	-
Administration Expenses	2,560	-
Distribution Expenses	1,100	-
Finance Charges	420	-
Proper Plant & Equipment – at cost	19,905	-
Provision for depreciation as at 01 st April 2009		
Property Plant & equipment	-	3,600
Other Expenses	220	-
Income Tax Paid – For the assessment year 2009/10	200	-
14% Debentures	-	1,000
Debenture Interest Paid	70	-
Stated Capital – Ordinary Shares (500,000 shares)	-	5,000
Capital Reserve	-	2,500
General Reserve	-	1,500
Retained Profit as at 01 st April 2009	-	200
Interim Dividend Paid – Ordinary Shares	500	-
Trade Payables	-	1,400
Inventories	500	-
Cash and Bank Balance	1,030	-
Accrued Expenses (Administrative) as at 01 st April 2009	-	5
Issue of Ordinary Shares Account	-	3,000
Total	33,805	33,805

The following additional information is provided:

- (1) The following expenses were accrued as at 31st March 2010:

	Rs.'000
Accounting Charges	110
Audit Fees	55
Electricity & Telephone	12
Directors' Remuneration	80

- (2) The water charge includes an amount of Rs. 3,000/- paid for the next year.
- (3) 150,000 ordinary shares were issued at Rs. 20/- per share on 01st April 2009 and the amount collected was recorded in the Issue of Ordinary Shares Account.
- (4) Entries for the following decision have not been incorporated in the books of accounts.
To write off two debtors totaling Rs. 300,000/-, and to maintain a general provision for doubtful debts at 7% of the remaining trade debtors (Trade Receivables).
- (5) Interest on Debentures to be settled bi-annually on 30th September & on 31st March. However the accountant has overlooked to make the payment which was due on 31st March 2010.
- (6) The balance in the bank statement as at 31st March 2010 did not agree with the bank balance appearing in the cash book. On investigation the following were discovered.
- (i) Cheques deposited but not realized Rs. 280,000/-.
 - (ii) Bank charges of Rs. 20,000/- charged by the bank has not been entered in the cash book.
 - (iii) Cheques issued for Rs. 430,000/- has not been presented for payment.
- (7) Tax liability of the company for the year was estimated at Rs. 280,000/-.
- (8) Inventories as at 31st March 2010 was valued at cost for Rs. 500,000/- and its net realizable value was Rs. 450,000/-.
- (9) A motor vehicle purchased on 1st April 2007 for Rs. 2,000,000/- was disposed on 30th June 2009 for Rs. 1,200,000/-. The sale proceeds has been credited to the sales account and debited to the bank account. No other entries have been made in the books of accounts. Depreciation has been provided on the straight line method at the rate of 25% on cost for Motor Vehicles.
- (10) Depreciation to be charged for the year are as follows:

	Rs.'000
Building	100
Motor Vehicle	750
Furniture	50
Office Equipment	300

You are required to,

Prepare the following for the use of the management of Gajaba Ltd.

- (a) Income Statement of the company for the year ended 31st March 2010. (13 marks)
- (b) Balance Sheet as at 31st March 2010. (10 marks)

(Total 25 Marks)



2009 Jun

Progress PLC is a company incorporated in 1990 under the Companies Act No. 17 of 1982 and re-registered under the Companies Act No. 7 of 2007.

Its Trial Balance as at 31st March 2009 is as follows:

	Dr. (Rs'000)	Cr. (Rs'000)
Property Plant & Equipment at written down value	12,000	
Accounts Receivable / Accounts Payable	2,000	500
Inventories	1,200	
Cash in Hand	500	
Cash at Bank	23,040	
Stated Capital (at original issue value)		
250,000 Voting Ordinary Shares		2,500
100,000 12% Redeemable Preference Shares		1,000
Retained Earnings		6,000
12% Debentures		2,000
Short Term Bank Loan		900
Share Issue Account		22,000
Dividends Paid		
Voting Ordinary Shares – Interim Dividend for 2008/09	100	
12% Redeemable Preference Shares – Dividend @ 6% for 2008/09	60	
Net Profit after tax for the year		4,000
Total	38,900	38,900

The following additional information is provided:

- (1) On 30th March 2009 the Directors of the company at their meeting decided to pay final dividend of Rs. 1/- per ordinary share and 6% remaining dividend on Preference Shares for the year 2008/09. As per the Articles of Association the Preference Share dividend is to be computed on original issue value. However, no entries have been incorporated into the books of account before closing the books as at 31st March 2009, as the dividend cheques had been released on 01st April 2009.

- (2) In order to strengthen the equity structure of the company, the Board of Directors at its meeting of 15th March 2009 resolved the following:
- (i) To issue on 31st March 2009 the following shares as fully paid.

	No. of Shares	Issue price per share Rs.
15% Redeemable Preference Shares	200,000	10/-
Non Voting Ordinary Shares	500,000	40/-

- (ii) Transfer an amount of Rs. 2,000,000/- from the Retained Earnings Account to the Stated Capital Account. (as Voting Ordinary Shares) on 31st March 2009. There will be no change in the number of shares already issued.

Through the above share issues and transfers have been finalized on 31st March 2009, no entries have been incorporated into the books of account other than crediting the cash received on the new issue to a Share Issue Account and debiting the bank account. (Assume that the shareholders had approved all the Board resolutions.

You are required to prepare,

- (a) Journal Entries to record the above unrecorded transactions for the year 2008/09
(06 marks)
- (b) A Balance Sheet as at 31st March 2009, after incorporating the above relevant transactions.
(10 marks)

(Total 20 Marks)



2009 Dec

ABC PLC is a company incorporated in 2000 under the Companies Act No. 17 of 1982, and re-registered under the Companies Act No.7 of 2007.

Its Trial Balance as at 31st March 2009 is as follows:

	Dr. (Rs'000)	Cr. (Rs'000)
Stated Capital (5,000,000 ordinary shares)		50,000
Retained Profit		10,750
Investments	15,000	
Land & Building (Building Rs. 4,000,000/-) at cost	10,000	
Furniture & Fittings – at cost	11,300	
Motor Vehicles – at cost	5,000	
Provision for Depreciation as at 01 st April 2008:		
Building		1,630
Furniture & Fittings		400
Motor Vehicles		2,150
Inventories as at 01 st April 2008	58,900	
Trade Receivables	55,300	
Cash and Bank Balances	50,695	
Trade Payables		22,800
Bank Overdraft		9,600
Bank Loan		21,300
Purchases	295,300	
Sales		431,600
Dividends from Investments		800
Salaries and Wages	28,000	
Advertising	810	
Director's Remuneration	1,300	
General Administration Expenses	9,100	
Discount Allowed	1,725	
Tax Paid	5,100	
Interest Expenses	500	
Interim Dividends Paid	3,000	
Total	551,030	551,030

The following additional information was provided:

- (1) Based on a Board decision, the company issued bonus shares on 31st March 2009 at one (01) share for every twenty (20) ordinary shares held as at that date, using part of the retained profits. No entries had been made regarding the above transaction.
- (2) Closing inventory balance as at 31st March 2009 was valued at Rs. 49,600,000/-. This included an obsolete stock valued at Rs. 4,600,000/- which had no realizable value.
- (3) Annual depreciation was to be provided on the straight line basis at the following rates:

5% per annum on building

15% per annum on Furniture and Fittings

20% per annum on Motor Vehicles

Motor vehicles were allocated to Sales and Marketing Division.

- (4) The provision for doubtful debts was to be made equal to 2% of Trade Receivables. It had now been confirmed that a sum of Rs. 1,300,000/- due from a Trade Receivable (debtor) cannot be recovered as he had been declared bankrupt.
- (5) The tax liability for the assessment year 2008/09 was estimated as Rs. 25,900,000/-.

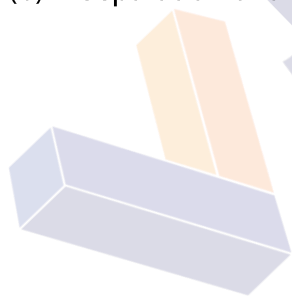
You are required to prepare (for the use of management):

- (a) Trading, Profit and Loss and Appropriation Accounts for the year ended 31st March 2009. (10 marks)
- (b) Balance Sheet as at 31st March 2009, (08 marks)

Briefly comment on the following terms:

- (a) Limited liability. (01 marks)
- (b) Separation of ownership and management. (01 marks)

(Total 20 marks)



2008 Dec

- (A) Companies Act No.7 of 2007 has introduced changes in the capital structure of companies. A company had the following balances in the balance sheet before the New Companies Act came into effect on 03rd May 2007.

	Rs.
Authorized Capital (1,000,000 shares of Rs. 10/- par value)	10,000,000
Issued Capital (500,000 shares of Rs. 10/- par value)	5,000,000
Paid up Capital (500,000 shares of Rs. 10/- par value)	5,000,000
Reserves (Share Premium)	1,000,000
Retained Profit	700,000

You are required to show how the above balances will appear in the balance sheet of the company as per provisions of the new Companies Act. Assume that there is no change in values. (02 marks)

- (B) State four (04) principal qualitative characteristics of financial statements. (04 marks)

- (C) The balance sheet of Fair Price Ltd as 31.03.2008 is as follows:

	Rs. ('000)	Rs. ('000)
Assets		
Non Current Assets		
Property, Plant & Equipment		8,000
Current Assets		
Inventories	3,200	
Trade Receivables	2,600	
Cash and Cash Equivalents	100	5,900
		13,900
Equity and Liabilities		
Stated Capital		
30,000 ordinary shares		3,000
Reserves		
Revaluation Reserve	3,000	
Retained Profit	2,640	5,640

Non Current Liabilities		
Bank Loan	500	
24% Debentures	2,000	2,500
Current Liabilities		
Trade Payables	1,750	
Bank Loan – Short Term Portion	250	
Bank Overdraft	760	2,760
Total Equity and Liabilities		13,900

Following additional information is provided:

The Board of Directors has resolved that,

- (1) The stated capital be increased by Rs. 3,000,000/- effective from 01.04.2008 by utilizing Revaluation reserve.
- (2) To make a rights issue of 1 share for every two shares held as at 31.03.2008 priced at Rs. 300/- per share. Settlement of transactions should be made by 30.04.2008.
- (3) To redeem the debentures using the proceeds of the rights issue and to settle the bank loan and overdraft by 30.04.2008. (all interest accrued may be ignored)

The board decision has been implemented fully by 30.04.2008.

You are required to prepare,

- (b) Journal Entries including to record the above transactions. (08 marks)
- (b) A Balance Sheet as at 01st May 2008, after having incorporated the above transactions. (06 marks)

(Total 20 Marks)

