



University of Kelaniya - Sri Lanka
Centre for Distance and Continuing Education
Faculty of Commerce & Management Studies

Bachelor of Business Management (General) Degree First Examination (External) – 2021
October - 2023

BMGT E1025 - Business Accounting

No. of Questions: Five (05)

Time: 03 hours

Answer all questions.

Only non programmed calculators are permitted.

Question No. 01

- a) You are given the impact of five (5) transactions to the accounting equation of a Sole Proprietorship (assets = equity + liabilities). Write down the possible transaction for each of the below items from (1) to (5).

	Assets			=	Equity	+	Liabilities
	Inventory	Trade receivables	Cash				Trade payables
1			+1,000,000	=	+1,000,000		
2	+ 600,000			=			+ 600,000
3	(500,000)	+ 600,000		=	+ 100,000		
4			(400,000)	=			(400,000)
5			(50,000)	=	(50,000)		

(05 marks)

- b) Dulshan Traders is a sole proprietorship started by Murali on 01st April 2021 investing Rs.7,000,000/- in cash as initial capital. The following additional information was also provided.

1. Cash Control Account (Cash Book) for the year ended 31st March 2022 was as follows:

Cash Control Account (Cash Book)

	Dr (Rs.)		Cr (Rs.)
Initial Capital Investment	7,000,000	Payments to Trade Creditors	1,800,000
Cash Sales	3,200,000	Cash Purchases	1,200,000
Receipts from Trade Debtors	2,400,000	Electricity and Water	300,000
		Office Rent	275,000
		Purchase of a Machinery (Purchased on 01st October 2021)	2,500,000
		Salaries and Wages	2,100,000
		Balance C/F	4,425,000
	12,600,000		12,600,000
Balance B/F	4,425,000		

2. The following balances were appeared in the books of accounts as at 31st March 2022:

	Rs.
Trade debtors	950,000
Trade creditors	940,000
Electricity and water bills payables	29,000

3. The policy of the business is to provide depreciation on machinery at the rate of 20% per annum at cost on the straight-line basis.
4. There was no inventory as at 31 st March 2022.

You are required to:

Prepare the Trial Balance of Dulshan Traders as at 31st March 2022.

(10 marks)

(Total 15 marks)

Question No. 02

Ansari Traders is a manufacturer of paint, and the following information was extracted from the books of Ansari Traders for the year ended 31st March 2021:

Description	Rs.
Raw Material Purchased	2,771,000
Carriage inwards of raw material	29,000
Direct Wages	920,000
Insurance	328,000
Factory Manager's salary	900,000
Electricity	420,000
Depreciation - Plant & Machinery	450,000
Depreciation - Factory Building	180,000

The following additional information is also provided:

1. Inventories are valued as follows:

Description	As at 01st April 2020 Rs.	As at 31st March 2021 Rs
Raw Material	900,000	875,000
Work -in -Progress (Valued at Prime Cost)	175,000	420,000

2. The following expenses should be apportioned as follows:

Expenses	Factory	Office
Electricity	80%	20%
Insurance	60%	40%

3. Manufactured products are transferred to the trading division at a profit margin of 15% on cost of production.

You are required to:

Prepare the Manufacturing Cost Statement (Manufacturing Account) of Ansari Traders for the year ended 31st March 2021.

(Total 15 marks)

Question No. 03

The Trial balance of Enet PLC as at 31st December 2022 is given below.

	Debit	Credit
	Rs.'000	Rs.'000
Property, plant and equipment (Cost/revaluation as at 31 December 2022)		
Land	340,000	
Buildings	102,560	
Plant and machinery	144,330	
Motor vehicle	120,680	
Accumulated depreciation as at 31 December 2022		
Buildings		34,260
Plant and machinery		25,780
Motor vehicle		52,340
Building disposal account		65,000
Leased asset	2,400	
Inventory as at 1 January 2022	5,600	
Trade receivables/Trade payables	14,560	12,350
Cash at bank	39,800	
Stated capital		200,000
Retained earnings as at 1 January 2022		191,132

Revaluation reserve as at 31 December 2022		37,500
Deferred tax liability as at 31 December 2022		24,300
Deferred tax charge for the year	3,700	
Purchases/Sales	589,430	780,970
Administrative expenses	45,300	
Distribution expenses	10,970	
Finance cost	4,302	
	1,423,632	1,423,632

Additional information

1. Cost of inventory held as at 31 December 2022 was Rs. 4,750,000. The net realizable value of the inventory as at 31 December 2022 was estimated as Rs. 4,900,000.
2. A building purchased on 1 July 2017 for Rs. 80 million was revalued on 31 December 2020 at Rs. 70 million. This building was sold on 31 December 2022 at a price of Rs. 65 million. Nothing has been recorded in the books of the company relating to the disposal, other than recording the sales proceeds received.

Enet carries its buildings at the revalued amount, and buildings are depreciated over 20 years.

The following were relevant to the revaluation of the building.

- Cumulative revaluation reserve recognized for the building was Rs. 4 million.
 - There was no change to the originally assessed useful life due to this revaluation.
- No revaluation has taken place thereafter.

3. The following payables are yet to be accounted for.

Audit fees: Rs. 1,200,000

Utility bills for December 2022: Rs. 2,450,000

4. Following details were relevant to the machinery, which was bought by Enet under a finance lease on 1 January 2022.

- Useful life time: 4 years
- Fair value of the machine: Rs. 5,000,000
- Present value of minimum lease payment: Rs. 4,626,000.
- Total amount to be paid under the lease agreement: Rs. 6,000,000.
- Interest rate implicit in the lease: 15% per annum

Immediate payment of Rs. 1,200,000 was required under the lease agreement and the balance is to be paid in four equal annual instalments commencing from 31 December 2022.

Other than recording the immediate payment and first instalment payment on 31 December 2022 as a leased asset, nothing has been recorded in relation to this in the books of Enet.

5. Income tax provision for the year was estimated as Rs. 6,730,000.

Required:

- Prepare** the statement of comprehensive income for the year ended 31 December 2022. (12 marks)
 - Prepare** the statement of changes in equity for the year ended 31 December 2022. (06 marks)
 - Prepare** the statement of financial position as at 31 December 2022. (16 marks)
 - Show** the explanatory notes and relevant disclosures of the statement of financial position. (06 marks)
- (Total 40 marks)**

Question 04

Damith and Udith are in a partnership DU Passion sharing profits and losses in the ratio of 2:1 respectively. On 01st January 2022, Meena admitted as a new partner to the partnership with an initial cash investment of Rs.8,000,000/-. All workings are on thousands. ('000)

- (1) The following balances were extracted from the books of accounts of the partnership:

	Dr (‘000)	Cr (‘000)
Capital accounts as at 01 st January 2022:		
Damith		12,000
Udith		8,000
Capital introduced by Meena on 01 st January 2022		8,000
Current accounts as at 01 st January 2022:		
Damith		1,500
Udith	800	
Drawings made during the year ended 31 st December 2022:		
Damith	900	

- (2) Goodwill of the partnership was valued at Rs. 2,400,000/- as at 01st January 2022 and it was decided to adjust through the partners’ capital accounts without creating a goodwill account.
- (3) Non-current assets of the partnership were revalued on 01st January 2022 as follows:

	Revalued Amount as at 01 st January 2022	Cost	Accumulated Depreciation as at 01 st January 2022
Land and Buildings	6,000	4,000	600
Motor Vehicles	1,400	2,000	1,000

It is agreed to continue the revaluation figures of the non-current assets.

- (4) The new partnership agreement provides the following:
- Interest on capital at 10% per annum is to be paid on the capital account balances as at 01st January 2022.
 - Udith is entitled to receive a monthly salary of Rs.40,000/-.

- Profits and losses are to be shared among Damith, Udith and Meena in the ratio of 4 : 3 : 3 respectively.

(5) The net profit of the partnership for the year ended 31st December 2022 was Rs.6,480,000/-.

You are required to:

Prepare the following for the year ended 31st December 2022:

(a) Partners' current accounts.

(05 Marks)

(b) Partners' capital accounts.

(05 Marks)

(Total 10 Marks)

Question No. 05

- I. .As per the Conceptual Framework for Financial Reporting, the objective of the general-purpose financial statements is to provide useful financial information to users in making decisions regarding provision of resources to the entity.

You are required to:

a) (i) State two (02) different users who use financial information of an entity.

(01 mark)

(ii) State two (02) examples for economic decision taken by users of an entity.

(02 marks)

b) Explain what is meant by reporting entity as per the Conceptual Framework for Financial Reporting.

(02 Marks)

- II. The following Financial Statements have been extracted from the books of Kaison Ltd. as at / for the year ended 31st March 2023 and 31st March 2023:

Kaison Ltd
Extraction of Statement of Income
For the year ended 31st March 2023

	Rs.'000
Sales	76,000
Cost of Sales	(49,400)
Gross Profit	26,600
Profit Before Interest and Tax	11,000
Interest Expenses	(2,600)
Profit Before Tax	8,400
Profit After Tax	7,140

Kaison Ltd
Extraction of Statement of Financial Position
Rs.'000

	As at 31 st March 2023		As at 31 st March 2022	
Assets:				
Non-Current Assets				
Property, Plant and Equipment's at carrying value		140,000		132,000
Current Assets:				
Inventories	41,000		40,000	
Trade Receivables	27,000		22,000	
Cash and Cash Equivalents	7,200	75,200	6,400	68,400
Total Assets		215,200		200,400
Equity and Liabilities				
Equity				
Stated Capital		100,000		100,000
Retained Earnings		45,000		37,860

Non-Current Liabilities:				
Long Term Loan		18,000		24,000
Current Liabilities				
Trade Payables	35,700		27,000	
Income Tax Payable	4,500		5,500	
Accrued Expenses	12,000	52,200	6,040	38,540
Total Equity and Liabilities		215,200		200,400

**Assume all sales and purchases are on credit basis.

You are required to:

a) Calculate the following ratios of Kaison Ltd. based on the above information for the financial year ended / as at 31st March 2023:

- | | |
|-----------------------------------|----------------------------------|
| (i) Gross Profit Ratio. | (iv) Creditor' Settlement Period |
| (ii) Current Ratio. | (v) Gearing Ratio. |
| (iii) Debtors' Collection Period. | |

(10 Marks)

b) State two (02) possible ways of improving below ratios of Kaison Ltd.:

- | | |
|------------------------|--------------------|
| (i) Gross Profit Ratio | (ii) Gearing Ratio |
|------------------------|--------------------|

(05 Marks)

(Total 20 Marks)

- End of the Paper -