



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) – 2023

May - 2025

BMGT E1025 - Business Accounting

No. of Questions: Four (04)

Time: 03 hours

Answer all questions.

Only non programmed calculates are permitted.

Question No. 01

- (a) Nimalasiri Hardware is a sole proprietorship started on 01st April 2024 by investing Rs . 2,250,000/- in cash. The following additional information is also provided:

(1) Summary of the Cash Book for the year ended 31st March 2025 was as follows:

Cash Book

Receipts	Dr (Rs.)	Payments	Cr (Rs.)
Investment of Initial Capital	2,250,00	Cash Purchases	850,000
Cash Sales	5,200,000	Payments to Trade Creditors	3,750,000
Receipts from Trade Debtors	1,250,000	Salaries and Wages	950,000
		Drawings	100,000
		Amount transferred to petty cash	60,000
		Machinery (Purchased on 01st January	1,000,000

		2025)	
		Office Rent	900,000
		Electricity	150,000
		Balance C/F	940,000
	8,700,000		8,700,000

(2) Receivable and Payable balances as at 31st March 2025 were as follows:

	Rs.
Trade Debtors	1,600,000
Trade Creditors	1,100,000
Salary Payable	80,000

(3) Machinery is to be depreciated at the rate of 20% per annum at cost on the straight-line basis.

(4) The following expenses have been paid from petty cash:

Water bills	: Rs.12,000/-
Stationery	: Rs.8,000/-
Travelling & Transport	: Rs.25,000/-

(5) Office rent payment includes a rent advance of Rs.180,000/- paid for the period from April 2025 to June 2025 period.

You are required to:

Prepare the Trial Balance of Nimalasiri Hardware as at 31st March 2025.

(10 marks)

(b) Waruni operates a retail business. The following transactions were occurred during the month of January 2025:

- (1) Purchased goods worth of Rs.250,000/- on credit terms for resale.
- (2) Sold goods costing of Rs.150,000/- for Rs.200,000/- on cash basis.
- (3) Interest income received on the savings account was Rs.2,000/-.
- (4) Paid monthly electricity bill of Rs.6,000/-.
- (5) Paid a bank loan installment of Rs.15,000/- where Rs.5,000/- was the interest portion.

You are required to:

State the impact of each of the above transactions to the following **Accounting Equation**.

[Inventory + Cash = Equity (Capital) + Liabilities]

(10 marks)

(Total 20 marks)

Question No. 02

- (a) The trial balance of Malaka Traders as at 31st March 2025 was prepared by the accounts executive. He did not agree with the balance and the difference of Rs.27,000/- was debited to a suspense account. The following reasons for the difference were identified subsequently:
- (1) A casual salary payment of Rs.8,000/- for the month of March 2025 has been recorded only in the cash book.
 - (2) Interest on bank loan of Rs.6,000/- has been correctly recorded in the cash book. However, it was erroneously credited to interest income account.
 - (3) Purchase of a printer worth of Rs.80,000/- on 01st October 2024 has been debited to the computer repair account. However, this was correctly recorded in the cash book. Applicable depreciation on the printer of 10% per annum at cost on the straight-line basis has also not been recorded in the books of accounts.
 - (4) An accrued electricity bill of Rs.5,000/- for the month of March 2025 has been recorded twice in the relevant books of accounts.
 - (5) Rs.12,500/- worth of discounts given to debtors has been credited to discounts received account. However, this has been correctly recorded in the debtors' control account.
 - (6) Rent expense of Rs.24,000/- paid for the month of January 2025 has been recorded in the Rent Expenses account as Rs.42,000/-. However, corresponding credit entry was recorded correctly.

You are required to:

Prepare the Journal entries to rectify the above errors.

(10 marks)

- (b) Malsha Arts is a manufacturer of Aluminum Productions and the following information was extracted from the books of accounts of Malsha Arts for the year ended 31st March 2025:

Description	Rs.
Raw Material Stock as at 01st April 2024	380,000
Raw Material Purchased during the year	3,600,000
Work-In-Progress as at 01st April 2024	Nil
Carriage Inwards of Raw Material	55,000
Direct Wages to Production Workers	1,800,000
Maintenance of Machinery	120,000
Security Charges	450,000
Electricity	800,000
Rent	570,000
Depreciation - Plant and Machinery	120,000
Depreciation - Motor Lorry	360,000

The following additional information is also provided:

(1) Closing inventory balances as at 31st March 2025 were valued as follows:

Description	Rs.
Raw Material Stock (At cost)	150,000
Work -in -Progress (Valued at Prime Cost)	180,000

(2) The following expenses should be allocated as follows:

Expenses	Factory	Office
Electricity	75%	25%
Rent	70%	30%
Security Charges	80%	20%

(3) Plant & Machinery are used to manufacture aluminum fabrications while motor lorry is used by the business to deliver the manufactured items to customers.

(4) Manufactured items are transferred to the trading division at a profit of 15% on the cost of production.

You are required to:

Prepare the Manufacturing Account of Malsha Arts for the year ended 31st March 2025.

(10 marks)

(Total 20 marks)

Question No. 03

The trial balance of Nimal PLC as at 31 December 2023 is as follows;

	Rs.'000	
	Debit	Credit
Property, Plant and Equipment- at cost		
Land	250,000	
Buildings	125,000	
Furniture and equipment	85,800	
Motor vehicles	75,600	
Accumulated Depreciation as at 1 January 2023		
Buildings		85,000
Furniture and equipment		56,500
Motor vehicles		27,800
Inventory as at 1 January 2023	44,500	
Income tax payable		750
Trade receivables/payables	361,240	147,389
Investment	50,750	
Cash at bank	21,280	
Stated Capital		505,020
Retained earnings		142,936
Purchases/Sales	612,795	1,029,070
Administrative expenses	174,422	
Selling and distribution expenses	186,503	
Finance cost	6,575	
	1,994,465	1,994,465

Additional information

- (1) The cost of inventory held as at 31 December 2023 was Rs. 31,570,000. Of which, inventory worth of Rs. 21,525,000 was sold on 1 January 2024 at Rs.22, 500,000 incurring a selling cost of Rs. 27,000. The balance inventory had been purchased a one week before

the year ended in December ,2023.

- (2) The company has invested Rs. 50,000,000 in a two-year fixed deposit on 1 July 2023 at the rate of 12% p.a. However, the interest income for the current financial year had not been recognized.
- (3) The depreciation policy of property, plant and equipment is as follows.
 - Buildings: 50 years
 - Furniture and equipment: 10 years
 - Motor vehicles: 6 years
- (4) The company revalued its land and buildings on 31 December 2023 (Purchased in 31 December 2007) to Rs. 365 million (out of which 50% of the value related to the buildings). It was further assessed that there would be no changes to the remaining useful lifetime of the asset. No adjustments were made in the financial statements based on the revaluations.
- (5) The details of actual expenses for the month of November and December for utilities were received subsequently, amounting to Rs. 367,000 with a penalty of Rs 4,000. The company had not accrued these expenses.
- (6) In the last financial year the company made a tax provision of Rs. 12,000,000. However, with the final tax payment, the company paid Rs. 11,750,000 and the difference appeared in the tax payable/receivable account in the trial balance. The company's estimation on the current year tax liability is Rs. 12,522,000.
- (7) The company entered into a lease agreement on 31 December 2023 to acquire a lorry. At the end of the lease term the lorry will be owned by the company.
 - The lease term: 6 years
 - Value of the annual instalment: Rs. 1,672,866 payables from 31 December 2024.
 - The interest rate implicit in the lease: 13.75% per annum
 - The useful lifetime of the asset: 7 years.

However, no records had been made in the books of accounts with respect to the lease arrangement.

- (8) The company filed a legal case against an employee. The board of directors obtained the company lawyer's opinion on 31st December 2023 and it is probable that the company will win the case and the employee will have to compensate the company by paying Rs 300,000 for damaging the reputation of the company.

Required:

- a) Prepare the statement of comprehensive income of Nimal PLC for the year ended 31 December 2023. (15 marks)
- b) Prepare the statement of the financial position of Nimal PLC as at 31 December 2023. (15 marks)
- c) Compile the required accounting notes of Nimal PLC for the year ended 31 December 2023. (10 marks)
- (Total 40 marks)**

Question No. 04

- (a) On 1st March 2024, Ramona (Pvt)Ltd held 400 units of finished goods valued at Rs. 22 each. During March, the following transactions took place.

Date	Units Purchased	Cost per Unit (Rs.)
10/03/2024	300	23
20/03/2024	400	24
25/03/2024	500	25

Goods sold out of inventory during March were as follows.

Date	Units Sold	Selling price per Unit (Rs.)
14/03/2024	600	30
21/03/2024	400	31
28/03/2024	100	32

Ramona (Pvt) Ltd's year-end inventory is valued at cost using the First-In, First-Out (FIFO) method. Included in the closing inventory is a damaged item beyond repair with a cost of Rs. 4,650. This damaged item was sold to a local company for Rs. 1,200, and Ramona (Pvt) Ltd incurred transportation costs of Rs. 170.

Demonstrate the extracts of financial statements for inventory balance as at 31.03.2024 according to LKAS 2.

(05 marks)

- (b) Wijekoon Flooring (Pvt) Ltd acquired a delivery van on 1 January 2020 at a cost of Rs. 80,000. At that date, it was estimated that the van had a useful life of five years and a residual value of Rs. 10,000. At 31st December 2022, these estimates are revised to a total useful life of seven years and a residual value of nil.

Calculate the amounts recognized in profit or loss for each of the years ended 31st December 2020, 2021, 2022 and 2023 in respect of the van's depreciation.

(05 marks)

- (c) Global Net Company Ltd. is a telecommunication company supplying the latest laptops and internet facilities. The company had entered into a two-year agreement with a customer on 1st April 2022 to provide a laptop and internet facilities for a monthly rent of Rs. 10,000. If sold separately, the market price of a laptop is Rs. 100,000 and the monthly charge for an internet connection is about Rs. 7,000. It is able to use this laptop even without internet facility. The customer had paid all dues for the year ending 31.03.2024.

Calculate the amount of revenue to be recognized by the entity for the year ending 31.03.2024.

(05 marks)

- (d) **State** whether the following events occurring after the reporting period require an adjustment to the assets and liabilities of the financial statements.

- I. Purchase of an investment
- II. Identifying that significant repair costs have been capitalized as a non-current asset
- III. Losses due to fire
- IV. The sale of inventory at less than its carrying amount (being cost)
- V. A sudden decline in the value of property held as a long-term asset

(05 marks)

(Total 20 marks)