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Serial No.....

Society of Certified Management Accountants of Sri Lanka

Technician Stage Pilot paper

Instructions to Candidates

1. Time allowed is **three (3) hours**.
2. Answer **all** questions.
3. The answers should be given in the **English Language**.

<u>Subject</u>	<u>Subject Code</u>
Financial Accounting Fundamentals	(FAF)

Question No. 01 (15 Marks)

The following account balances as at 31.12.2005 relate to, Dickman's fabricators, a sole proprietor enterprise producing a utility article in large quantities.

	Rs.	Rs.
<u>Inventory - 1.1.2005</u>		
Raw material	15,000	
Work in progress	2,000	
Finished goods	20,000	
Loose tools	9,000	
Office salaries	68,600	
Carriage outwards	3,360	
Carriage inwards	15,340	
Motor van expenses	8,000	
Sales		1,000,000
Purchase of raw materials	276,000	
Rent and rates	60,000	
Heating & Lighting	56,400	
Insurance - factory machinery & equipment	4,200	
Direct factory wages	295,000	
Factory supervisors' salaries	26,000	
Machinery maintenance	14,000	
Royalties	30,000	
Welding expenses	14,160	
<u>Inventory at 31.12.2005</u>		
Raw materials	10,340	
Work in progress	10,000	
Finished goods	26,000	

Following Additional information also available;

- (i) Raw materials costing Rs.11, 000 had been damaged due to bad handling.
- (ii) Expenses to be apportioned are as follows:-
Heating & Lighting as Power for Factory – 60% and office lighting 40%.
Rent and rates -Factory 75%, office 25%
- (iii) Motor van expenses, to be apportioned as follows:-
▪ Factory 50%
▪ Selling & Distribution 30%
▪ Office 20%
- (iv) Following expenses were accrued :
▪ Carriage inwards Rs 10,000
▪ Office lighting Rs. 2,000
- (v) Royalties are payable on each unit produced and welding charges can be considered a direct expense
- (vi) Depreciation to be provided as follows.
- | | Rs |
|------------------|--------|
| Factory building | 4,000 |
| Machinery | 14,000 |
| Motor vans | 10,000 |
| Office equipment | 8,000 |
- (vii) Loose tools were valued at Rs. 7,000 on 31.12.2005
- (viii) Factory Accounts, add 3 % to cover Factory administration costs, before transferring to Trading A/c.
- (ix) During the year the enterprise produced 80,000 units of their product.

You are required to;

- a) Prepare Manufacturing Account for the year ended 31.12.2005 **(13 Marks)**
- b) Find Factory cost of goods produced and unit cost of goods transferred to Trading A/c. **(2 Marks)**
- (Total 15 Marks)**

Question No. 2 (25 Marks)

The Trial Balance of CMA enterprises as at 31.12.2005 is given below.

	Rs	Rs
<u>Issued Share Capital</u>		
20,000 Ordinary shares of Rs. 10 each		200,000
5,000 8% Preference shares of Rs. 10 each		50,000
Land & Buildings (Cost)	300,000	
Furniture, Fixtures & Fittings (Cost)	80,000	
Motor vehicles (Cost)	125,000	
General reserve		30,000
<u>Provision for depreciation-</u>		
Premises		55,000
furniture & fixtures		20,000
Motor vehicles		75,000

Goodwill	150,000	
Prepayments	36,150	
Director's salaries	24,000	
Share premium Account		35,000
Profit & Loss A/c		23,500
Inventory	10,280	
Rent and rates	11,000	
Sundry expenses	1,160	
Salaries & wages	22,000	
Advertising	7,200	
Bad debts	640	
Bank interest	2,050	
Bank charges	250	
Bank overdraft		17,500
Bank balance	30,000	
Cash in hand	720	
Accounts Payable		68,800
Delivery expenses	12,000	
Accounts Receivable	27,000	
10% Debentures		120,000
Debenture interest	12,000	
Insurance	3,900	
Provision for bad debts		1,350
Purchases	308,800	
Sales (exclusive of VAT)		468,000
	1,164,150	1,164,150

Further information available:

- (i) Inventory at 31.12.2005 were valued at Rs. 13,080.
- (ii) Depreciation to be provided on diminishing value on
 - Premises cost at 4 % p.a.
 - Fixtures & Fittings at 10 % p.a. and on straight line method on Motor vehicles at 20 % p.a.
- (iii) Provision for bad debts to be provided at 5 % on Debtors value.
- (iv) Directors propose to
 - transfer to general Reserve Rs.20,000 of undistributed profits
 - to pay the 8% Preference dividend and ordinary dividend of 10%.

You are required to;

Prepare the following for internal purposes.

- a) Trading, Profit & Loss A/c and P&L Appropriation A/c for year ended 31.12.2005
(14 Marks)
 - b) Balance Sheet as at 31.12.2005
(11 Marks)
- (Total 25 Marks)**

Question No. 3 (15 Marks)

Jayalal failed to agree the Trial Balance of his business, as at 31st December. 2005. The Credit side total exceeded the Debit side total by Rs. 4,860. He proceeded to open a suspense a/c with a view to rectifying the position.

The draft accounts showed a net profit of Rs.36, 000 subject to the following errors detected.

- (i) A Rs. 620 credit sale of goods to Neomal Fernando had not been entered in the Day books
- (ii) Goods returned to Sampath Ltd., a supplier had been credited to Sampath Ltd.'s a/c and debited to Purchase Returns a/c.
Cost of the goods was Rs. 2000
- (iii) In extracting the list of balances from the purchases ledger, a credit balance of Rs.150 had been omitted.
The total of the list had been included as Trade creditors, in the Trial Balance.
- (iv) The debit side of the Wages a/c had been overcast by Rs. 1000
- (v) Rs.450 discounts received had been posted to the supplier's accounts but discounts received a/c had not been entered.
- (vi) A credit sale of Rs.1200 goods to Ranjith Fernando had been completely omitted from the records.
- (vii) A purchase of Office equipment for Rs. 5900 had been debited to Office expenses.
- (viii) Rs.300 received as a refund from electricity bill paid had been entered as a receipt in cash book but no other entry has been made.
- (ix) Rent paid Rs. 4000 had been credited to Rent receivable a/c

You are required to;

- a) Write up the Suspense a/c indicating rectifying entries **(6 Marks)**
 - b) Pass any necessary Journal entries. **(3 Marks)**
 - c) Calculate the revised Net profit of the business for the year **(6 Marks)**
- (Total 15 Marks)**

Question No.4 (25 Marks)

Marks and Spencer are in partnership as textile traders and had the following assets as at 1st.January 2005.

	Rs.
Motor vehicles (at cost)	60,000
Fixtures & Fittings (WDV)	80,000
Land & buildings (WDV)	200,000
Stocks (at cost)	20,000
Debtors (at cost)	8,200
Bank balances	21,200
Cash in hand	1,300
owed the suppliers of textiles costing	10,700

- (i) During the year they had the following transactions
Cash sales were Rs. 350,000 Selling expenses paid in cash was Rs. 2,400 and cash banked totaled Rs. 520,000. Cheque payments to suppliers totaled Rs. 297,720. They had given 10% discount on making these payments. Other cheque payments were Electricity Rs.12, 000; Salaries &Wages Rs.60, 000; Motor vehicle expenses Rs.6, 300, Carriage inwards

15,800 Delivery expenses Rs. 6,000 and other administrative expenses 13,800. Purchases made in cash totaled only Rs. 10,000. An old van with a book value Rs.5, 800 was exchanged at a value of Rs.9, 000 for another delivery van for which a balance payment of Rs. 26,000 was made by cheque.

- (ii) On 1st July 2005 Spencer increased his capital amount by Rs. 20,000, to equal Marks' capital of Rs. 200,000.
Marks also lent Rs. 20,000 on this day to augment the business cash position.
- (iii) Marks had taken Rs. 1,200 textiles from the business for his wife, while Spencer had taken Rs. 2,000 worth of textiles for his family.
- (iv) Marks has withdrawn from the business Bank A/c Rs.5,840 and Spencer has drawn Rs. 10,200
- (v) Interest is allowed at 5 % on partner's capital and Spencer who manages the business is entitled to a salary at Rs. 2,500 per month. No interest is payable on current a/c balances. Interest on Marks' drawings amounted to Rs. 500 and on Spencer's to Rs. 700
- (vi) Though credit was restricted, a trade debt of Rs. 300 had to be written off.
- (vii) Assets were valued at 31.12.2005 as follows.
 - Fixtures & fittings Rs. 72,000.
 - Motor vehicles Rs 71,100.
 - Trading stocks Rs.30, 800.
 - Land & Buildings were not to be depreciated.
 - Debtors amounted to Rs.7, 900 and Trade creditors to Rs.10, 700.

You are required to;

- a) Write up the Cash and Bank A/c to ascertain balances. **(8 Marks)**
 - b) Prepare the Trading and Profit & Loss A/c of the partnership for the year ended 31st December 2005 and the P & L appropriation A/c **(9 Marks)**
 - c) Prepare the Partners' Current A/C s **(4 Marks)**
 - d) The Balance sheet as at 31st December 2005 **(4 Marks)**
- (Total 25 Marks)**

Question No. 5 (10 Marks)

- a) Briefly explain
 - (i) Consistency concept and
 - (ii) Prudence concept **(5 Marks)**
 - b) Briefly explain the following qualitative characteristics that should be present in Financial Statements.
 - (i) Materiality
 - (ii) Relevance **(5 Marks)**
- (Total 10 Marks)**

Question No. 6 (10 Marks)

State briefly what is meant by any two (2) of the following;

- a) A chart of accounts.
- b) Batch processing.
- c) Spread sheets.

(Total 10 Marks)

End of question paper