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Serial No.....

Society of Certified Management Accountants of Sri Lanka

Technician Stage March 2009 Examination

Examination Date : 21st March 2009
Examination Time: 9.30 a.m.- 12.30 p.m.

Number of Pages : 05
Number of Questions: 06

Instructions to Candidates

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

Subject	Subject Code
Financial Accounting Fundamentals	(FAF / 501)

Question No. 1 (16 Marks)

- (a) When differences in activities of business organizations are taken into account, for accounting purposes they can be divided into five main categories name these five categories, giving a brief explanation of each. **(5 Marks)**
 - (b) In respect of transactions of a business, list the different stages of the Accounting Flow, involved in producing financial statements, giving a brief explanation of each stage. **(7 Marks)**
 - (c) When fraud takes place, financial statements are misrepresented. Briefly mention six forms in which such frauds take place. These are also given in the Study Text of this subject. **(4 Marks)**
- (Total 16 Marks)**

Question No. 2 (17 Marks)

- (a) Give briefly, simple but important reasons why the following concepts are observed in the preparation of financial statements of business enterprises.
 - (i) Comparability
 - (ii) Prudence**(7 Marks)**
 - (b) Anura, Bimal and Charitha are good friends who wished to do business together. But they were uncertain whether to form a partnership, or form a limited liability company to do their business. State how each of these organizations may be formed and also the differences in legal obligations and benefits to members of the entity. **(10 Marks)**
- (Total 17 Marks)**

Question No. 3 (17 Marks)

Finally Anura, Bimal and Charitha formed a partnership and operated a large grocery business to share profits and losses in the ratio 3:2:1. The trial balance of the business as at 31st December 2008 is given below.

	Dr (Rs.)	Cr (Rs.)
Land & Buildings at Cost	300,000	
Motor Vehicles at Cost	200,000	
Office & Other Equipment	40,000	
Purchases	850,000	
Sales		1,200,000
Sales Returns	100,000	
Loan – Charitha as at 01/01/2008		30,000
Provision for Depreciation:		
Motor Vehicles		80,000
Buildings		60,000
Office Equipment		20,000
Stock – 01/01/2008	200,000	
Cash at Bank & in Hand	75,300	
Trade Debtors	235,000	
Trade Creditors		439,000
Bad Debts Provision (01/01/2008)		10,000
Partner's Capital Accounts:		
Anura		180,000
Bimal		120,000
Charitha		60,000
Rates and Insurance	40,000	
Office Expenses	40,000	
Selling Expenses	14,000	
Bank Charges	10,000	
Partner's Current Accounts:		
Anura		3,300
Bimal	5,000	
Charitha		7,000
Drawings:		
Anura	40,000	
Bimal	30,000	
Charitha	30,000	
	2,209,300	2,209,300

Following information is relevant:

- (i) Stock at 31st December 2008 was valued at Rs.300,000/-.
- (ii) Depreciation to be provided as follows:
 - Building at 5% p.a. on the cost of Rs.200,000/-.
 - Motor Vehicles at 20% p.a. on cost
 - Office Equipment at 10% p.a. on cost
- (iii) Rs.5,000/- Bad Debts to be written off and Provision for Doubtful Debts to be at 2%.
- (iv) Partnership agreement provided for:
 1. A Salary of Rs.4,000/- per month for Anura as Managing Partner.
 2. Interest on Capital Account balance at year's end at 5% p.a..
 3. Interest on Partners' Loans at 12% p.a. and levy 12% interest on Partners' Drawings.

You are required to prepare:

- (a) Trading, Profit & Loss Account for the year ended 31st December 2008. **(8 Marks)**
(b) P & L Appropriation Account of the Partnership. **(4 Marks)**
(c) Partners' Current Accounts. **(5 Marks)**
(Total 17 Marks)

Question No. 4 (12 Marks)

Utility Ltd. is manufacturers of aluminum ware for households. Their accounts as at 31st December 2008 showed the following balances.

	Rs.
Stocks as at 01/01/2008	
Raw Materials	26,700
Work in Progress	6,900
Finished Goods	24,000
Rates of Premises	3,700
Raw Materials Purchased during the year	298,000
Factory Supervisor's Salaries	144,000
Factory Overtime	28,000
Factory Worker Wages	210,000
Repairs to Plant and Machinery	6,000
Repairs to Factory Buildings	27,000
Insurance	12,000
Power, Light and Heating	37,000
Carriage Inwards	4,000
Plant & Machinery at cost	370,000
Factory Tools & Equipment	110,000
Factory Buildings	200,000

Following information is relevant:

- (i) $\frac{2}{5}$ th of the Rates of Premises apply to the Factory Buildings area.
(ii) Of the Insurance Bill $\frac{4}{5}$ th cover Factory Machinery & Equipment.
(iii) Plant & Machinery and Factory Tools & Equipment are to be depreciated at 10% on straight line method and Factory Buildings are to be depreciated at 5% on cost.
(iv) Overtime is paid to Direct Labour.
(v) Semi-Manufactured Product is cleaned before dispatch to another section of the factory in the manufacturing process. Cleaning Cost Rs.8,000/- during year 2008.
(vi) Stocks as at 31st December 2008 included:

	Rs.
Raw Materials at cost	18,000
Work in Progress	5,900
Finished Goods	20,000

You are required to prepare the Manufacturing Account for the year ended 31st December 2008.
(Total 12 Marks)

Question No. 5 (27 Marks)

Given below is the Trial Balance as at 31st December 2008, of SDA Ltd. a company dealing in Soaps, Detergents and allied products.

	Dr. Rs.	Cr. Rs.
8% Preference Shares		50,000
Ordinary Share Capital		250,000
10% Debentures		50,000
Share Premium Account		30,000
General Reserve		20,000
P & L Account balance 01/01/2008		40,000
Premises (Cost Rs.100,000) WDV	90,000	
Office Equipment (Cost Rs. 90,000) WDV	60,000	
Furniture & Fixtures (Cost Rs. 70,000) WDV	50,000	
Motor Vehicles (Cost Rs. 240,000) WDV	120,000	
Goodwill	100,000	
Stock as at 01/01/2008	8,500	
Purchases	362,000	
Sales		702,700
Carriage Inwards	18,100	
Directors' Fess	20,000	
Office Salaries & Wages	130,200	
Rates	11,200	
Communication Charges	12,400	
Debenture Interest	5,000	
Bank Charges	3,600	
Delivery Expenses	12,400	
Investments	133,000	
Trade Debtors	52,000	
Bad Debts	1,200	
EPF & ETF	19,500	
Investment Income		13,000
Trade Creditors		35,000
Bank Loan (15% p.a. interest) at 01/01/2008		30,000
Bank Loan Interest Paid	4,000	
Cash & Bank Balances	7,600	
	<u>1,220,700</u>	<u>1,220,700</u>

Following information is relevant:

- (i) Depreciation is to be provided as follows:
- | | |
|----------------------------|-----------------------------|
| Premises (cost Rs.100,000) | 5% on cost |
| Furniture & Fittings | 10% on diminishing balance |
| Office Equipment | 10% on diminishing balance |
| Motor Vehicles | 25% on straight line method |
- (ii) Stocks on 31st December 2008, were valued at Rs.17,000/-
- (iii) Directors resolved to pay Preference Dividend and declare a 10% dividend on Ordinary Shares and also to transfer Rs.20,000/- to the General Reserve, out of profits.

You are required to prepare, for internal purposes:

- (a) Trading and Profit & Loss Account and P & L Appropriation Account for year ended 31st December 2008. **(15 Marks)**
- (b) Balance Sheet as at 31st December 2008. **(12 Marks)**
- (Total 27 Marks)**

Question No. 6 (11 Marks)

Rangers Cricket Club celebrated their 40th anniversary on 26th December 2008, with a veteran's cricket match and members' families get together. They made the following collections and incurred the following expenses in connection with this event.

	Rs.
Donations and Collections	30,000
Match Ticket Sales	20,000
Souvenir Sales	15,000
Match Expenses, including Entertainment	13,000
Printing Charges	4,000

The club bar is open to members on week ends evenings. On 01st January it had bar stock that cost Rs.2,500. Its sales amounted to Rs.38,790. Part time barman's wages were Rs.10,400/- and paid for and the supplies cost Rs.18,000/-. At 31st December the bar stock was Rs.2,700/-.

The club had 90 members each subscribing Rs.1,000/- annually and during the year 2 Life Members were enrolled at fees of Rs.10,000/- each. Subscriptions received in advance at 01st January amounted to Rs.3,000/-.

During the year Rs.107,000/- was received as subscriptions. No member had prepaid subscriptions for year 2009. Staff Salaries were Rs.48,000/-, paid for the repairs to pavilion Rs.6,000/-, the depreciated value of a roller (costing Rs.7,500/-) was Rs.1,500/-. This was sold for Rs.1,000/-.

The sports ground land had cost Rs.75,000/- and is not depreciated. The Pavilion Building should be depreciated at 5% of its written down value of Rs.40,000/-. Sports Equipment, Cost Rs.5,000/- are not to be depreciated.

The club had a Bank Savings Account balance of Rs.12,000/- on 01st January 2008. However it had an overdrawn Bank Current Account balance of Rs.5,000/- on 31st December 2008.

You are required to:

- (a) Prepare the Income & Expenditure Account of the club for year ended 31st December 2008. **(7 Marks)**
- (b) The Accumulated Fund as at 31st December 2008. **(4 Marks)**
- (Total 11 Marks)**

End of Question Paper
