

Raw materials costing Rs.2,600/- were discarded during the manufacturing process and were of no further use.

Binding charges in factory before completing production process cost Rs.3 per unit and 2,000 units were produced during the year. These can be considered a direct expense.

You are required to prepare the manufacturing account to ascertain factory cost of production, and find the unit cost.

(09 Marks)

(Total 18 Marks)

Question No. 2 (16 Marks)

(a) On examining the cash and bank transactions of Sarasavi Traders for the month of June 2009, the following information was revealed.

- (i) The cash book showed an overdraft of Rs.16,500/-.
- (ii) Bank charges debited in the bank statement was Rs.250/-. Cheques recorded in the bank column of the cash book but not sent to the bank for collection was Rs.2,000/-.
- (iii) Cheques issued during the month but not presented for payment was Rs.8,750/-.
- (iv) Cheques deposited with the bank but not collected was Rs.1,050/-.
- (v) A bill received for Rs.3,000/- (discounted with the bank in May 2009) was dishonoured on 30th June. Noting that charges paid by the bank was Rs.30/-.
- (vi) Life insurance premium of the proprietor paid by the bank during June 2009 as per standing instructions was Rs.1,800/-.

You are required to prepare the Cash Book Adjusted Cash & Bank Balance as at 30th June 2009 and the Bank Reconciliation to account for the above information.

(08 Marks)

(b) Sarasavi Traders trial balance as at 30th June 2009 had been agreed with a suspense account debit balance of Rs.1,600/-. The following information was revealed.

- (i) Goods bought from Renuka Traders amounting to Rs.27,500/- was posted to the credit of their account as Rs.25,700/-.
- (ii) Sales Day Book had been overcast by Rs.10,000/-.
- (iii) While carrying forward the total from one page of the purchase day book to the next page, the amount of Rs.64,750/- was written as Rs.61,750/-.
- (iv) Purchase returns to Saheed Brothers worth Rs.15,500/- were not recorded in purchases returns book, but the account payable of Saheed Brothers was duly debited for the amount.
- (v) Drawings of goods by the proprietor costing Rs.1,500/- were not recorded.

Post necessary journal entries with explanatory narratives to clear the suspense account.

(08 Marks)

(Total 16 Marks)

Question No. 3 (15 Marks)

Mr. B. Wise is a sole trader who retail package teas. He deals in purchased brands of tea packets as well as his own blended tea packets. His selling prices are fixed to earn an average gross profit of 30% of sales.

Produced below was his summarized balance sheet as at 31st March 2009.

	Rs.		Rs.	Rs.
Capital account	324,000	Shop equipment & fittings, at cost	150,000	
		Less: depreciation	<u>30,000</u>	120,000
Bank Loan	30,000	Motor van, at cost	60,000	
		Less: depreciation	<u>15,000</u>	45,000
		Inventory, at cost		104,200
Trade creditors	47,400	Trade debtors		62,600
Accrued expenses	3,800	Rent paid in advance		6,500
		Bank balance		60,000
		Cash in hand		<u>6,900</u>
	<u>405,200</u>			<u>405,200</u>

Mr. Wise has not maintained a proper accounting system for the year ended 31st March 2009. In addition to the above summarized balance sheet, he produces the following information regarding the year's transactions.

- i. The closing stock was valued at cost of Rs.40,000/- over the previous year-end stock.
- ii. The total sales were Rs.1,526,000/- and sales returns were Rs.35,000/- during the year. He was able to maintain the average 30% of gross profit.
- iii. Trade creditors at 31st March 2009 were Rs.63,900/- and discounts received was Rs.7,600/-.
- iv. Trade debt at 31st March 2009 was Rs.56,200/- and a 5% provision is to be made for doubtful debts. During the financial year Rs.4,700/- had been written off as bad debts.
- v. Mr. B. Wise had made drawings from stock costing Rs.6,000/- and these were included in payments made to suppliers. No other records of drawings had been made.
- vi. Payments for Shop salaries amounted to Rs.158,400/-. Payments for Rates; Rs.4,600/-, for Electricity Rs.30,000/-; Rent paid in advance for part of premises was Rs.4,800/-.
- vii. Electricity bills in arrears was Rs.3,100/-.
- viii. Shop fittings acquired during the year was paid for at Rs.20,000/-. Depreciation on shop equipment & fittings is to be provided at 10% p.a. on cost held at year end. Depreciation on a delivery van is at 25% p.a. on original cost.
- ix. On 31st March 2009 the Bank Loan balance was settled.
- x. Cash drawings during the financial year was Rs.90,000/-.

You are required to:

- (a) Write up the
 - (i) Total Cash Account
 - (ii) Total Debtors Account
 - (iii) Total creditors Account

(08 Marks)
- (b) Prepare the Trading Profit & Loss account for the year ended 31st March 2009. **(07 Marks)**

(Total 15 Marks)

Question No. 4 (15 Marks)

The treasurer of Menik Farm Social Club has prepared the following receipts and payments account for the year ended 31st December 2008.

Receipts and Payments Account

<u>Receipts</u>	<u>Rs.</u>	<u>Payments</u>	<u>Rs.</u>
Opening balance	2,350	Rent and rates	5,600
Members subscriptions	4,530	Equipment	2,000
Donations	1,000	Electricity bills	2,600
Net receipts of garden festival	1,300	Clearing and sundries	650
Bar takings	40,580	Barman's wages	7,500
Outside catering receipts	2,500	Caretaker's wages	2,500
Investments income	500	Casual bar aide wages	1,200
		Repairs to premises	870
		Bar purchases	24,680
		Printing & stationery	1,200
		Closing balance	<u>3,960</u>
	<u>52,760</u>		<u>52,760</u>

Following information is relevant.

- (i) On 1st January 2008, the balance on the Accumulated Fund was Rs.25,000/- and the balance on the Renovation Fund was Rs.8,000/-.
- (ii) The club has investments of Rs.10,000/-.
- (iii) On 1st January the bar inventory were valued at cost of Rs.7,500/- and the inventory at 31st December 2008 at cost of Rs.6,830/-.
- (iv) On 1st January the depreciated value of Furniture & Equipment was Rs.8,000/- and depreciated value of Furnishings was Rs.2,500/-.
- (v) Out of subscriptions received Rs.100/- related to 2009 and for 2008 Rs.170/- was in arrears.
- (vi) On 31st December rates paid in advance for 2009 to the Local authority was Rs.350/-.
- (vii) The club does not depreciate equipment purchased in the first year of purchase.
- (viii) Outside catering is an income for the bar.
- (ix) A separate account should be prepared for bar trading.
- (x) $\frac{1}{2}$ of the net surplus for the year is credited to the Renovations Fund and the other $\frac{1}{2}$ to the Accumulated Fund.

You are required to prepare:

- (a) Bar Trading Account. **(03 Marks)**
 - (b) An Income and Expenditure Statement. **(05 Marks)**
 - (c) Balance Sheet, for presentation to the club members at the annual general meeting. **(07 Marks)**
- (Total 15 Marks)**

Question No. 5 (20 Marks)

Produced below is the trial balance of Simtech Traders (Pvt) Ltd as at 31st December 2008.

Trial Balance

	Dr. (Rs.)	Cr. (Rs.)
Rs.10/- Ordinary Share Capital		500,000
9% Rs.10/- Preference Share Capital		100,000
Share Premium		35,000
General Reserve		100,000
Profit & Loss A/c balance 1/1/2008		137,000
12% Debentures		50,000
Goodwill	100,000	
Freehold Premises	150,000	
Machinery & Equipment	200,000	
Furniture & Fittings	100,000	
Motor Vehicles	200,000	
Provision for Depreciation		
Buildings		50,000
Machinery & Equipment		100,000
Furniture & Fittings		14,500
Motor Vehicles		50,000
Provision for doubtful debts		10,450
Inventories	482,250	
Trade Debtors	280,000	
Trade Creditors		190,550
Cash in hand	3,650	
Bank Overdraft		35,450
Purchases	1,160,500	
Sales		1,610,500
Salaries & Wages	62,750	
Rates , Rent and Insurance	46,100	
Administrative Expenses	19,450	
Lighting & Heating	38,450	
Advertising	56,300	
Bad debts	17,050	
Packing materials	28,400	
Carriage outwards	32,050	
Bank Interest	3,500	
Debenture interest	3,000	
	<u>2,983,450</u>	<u>2,983,450</u>

Following information is relevant.

- (i) Stock at 31/12/2008 was Rs.568,250/-.
- (ii) Stated capital: consisted of 50,000 Ordinary Shares and 10,000 9% Preference Shares, each Rs.10/-.
- (iii) Provision for doubtful debts is to be maintained at 5% of total debtors.
- (iv) Rates Rs.4,250/-, and Insurance Rs.1,550/- had been prepaid.
- (v) Provision for depreciation: on written down values, for Machinery and equipment is @12 ½ % p.a. Furniture & fittings is @ 10 % and Motor vehicles is @ 25 %, p.a.
- (vi) Audit fees of Rs.1,250/- is to be provided for.
- (vii) The Directors have resolved to (I) transfer Rs.50,000/- out of net profits to general reserve (II) pay the preference dividend and a 10% ordinary share dividend.

You are required to prepare, for internal purposes:

- (a) Trading and Profit & Loss account, for the year ended 31st December 2008. **(08 Marks)**
 - (b) Profit & Loss Appropriation account. **(03 Marks)**
 - (c) Balance sheet as at 31st December 2008. **(09 Marks)**
- (Total 20 Marks)**

Question No. 6 (16 Marks)

Pubudu and Dinindu carry on a partnership business, sharing profits and losses $\frac{3}{5}$ and $\frac{2}{5}$. Their interests in the partnership business and the details of transaction balances for the year ended 31st December 2008 are given below.

	Dr. (Rs.)	Cr. (Rs.)
Partners' Capitals		
Pubudu		30,000
Dinindu		20,000
Loan a/c – Pubudu		5,000
Current Accounts		
Pubudu		536
Dinindu	100	
Drawings		
Pubudu	8,000	
Dinindu	4,000	
Inventory, at cost 1/1/2008	4,175	
Distribution Expenses	817	
Sales		65,000
Creditors		6,580
Debtors	8,760	
Purchases from factory, at cost	42,608	
Freehold Buildings, at cost	22,100	
Goodwill and Patents, at cost	2,000	
Machinery & Equipment	41,170	
Prov. for Depreciation – Machinery & Equipment		19,408
Administration Expenses	6,129	
Selling Expenses	4,740	
Bad debts written off	425	
Cash at Bank	1,500	
	<u>146,524</u>	<u>146,524</u>

Partnership agreement provides;

- (i) Monthly salaries of Rs.1,400/- to Pubudu and Rs.1,100/- to Dinindu.
- (ii) Interest at 6% p.a. on partners' fixed capitals.
- (iii) Interest at 7% p.a. on partners' loans as at 31st December 2008.

Inventory as at 31st December 2008 was Rs.4,090/- at cost.

Rent prepaid was Rs.200/-, while Rates had accrued at Rs.271/-.

You are required to:

- (a) Prepare trading and Profit & Loss a/c for the year 2008. **(05 Marks)**
- (b) Prepare Profit & Loss Appropriation account. **(05 Marks)**
- (c) Write up Partners' current accounts. **(06 Marks)**

(Total 16 Marks)

End of Question Paper