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THE INSTITUTE OF
CHARTERED ACCOUNTANTS
OF SRI LANKA

SUGGESTED SOLUTIONS

01104 – Financial Accounting

Certificate in Accounting and Business I Examination
September 2012

THE INSTITUTE OF CHARTERED ACCOUNTANTS OF SRI LANKA

PAPER 'A' - ANSWERS FOR MULTIPLE CHOICE QUESTIONS

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PAPER ' B'

Answer No. 01

(a)

MR. HIRUKA

COMPREHENSIVE INCOME STATEMENT FOR THE YEAR ENDED 31ST MARCH 2012

	Rs."000"	Rs."000"
Turnover		275,120
Less : Sales Returns		(120)
		275,000
<u>Less : Cost of Sales</u>		
Stocks as at 1 st April 2011	77,400	
Add : Purchases – Imports	124,350	
Local	15,620	
Import duty & Clearing charges	2,450	
Carriage inwards	320	
	220,140	
Less : Closing stock – 31.03.2012	(69,050)	
Free samples	(50)	(151,040)
Gross Profit		123,960
<u>Other Income</u>		
Profit on sale of motor lorry	2,000	
Interest Income	3,000	5,000
<u>Less : Administration Expenditure</u>		
Insurance – Buildings	300	
Depreciation – Buildings	410	
Depreciation – Equipment, tools and computers	3,700	
Electricity	3,220	
Security	2,560	
Water	570	
Salaries & Wages	4,500	
Insurance – Equipment & Computers	200	
EPF & ETF	640	
Stationery	1,230	
Building Maintenance	122	
Donation	500	
Audit Fees	250	
Telephone Expenses	198	
Other Admin expenses	1,455	(19,855)

	Rs."000"	Rs."000"
<u>Less: Selling & Distribution Expenditure</u>		
Motor Vehicle Insurance	600	
Sales promotion – Free samples	50	
Motor Vehicle Depreciation (Note 3)	5,740	
Motor Vehicle Repairs & Maintenance	1,350	
Bad Debts Written off	3,910	
Provision for bad debts (Note 4)	880	
Salaries & Wages	12,750	
Overtime	2,750	
Sales Promotion	12,850	
EPF & ETF	1,830	
Fuel Expenses	7,430	
Discounts	600	(50,740)
<u>Less : Finance Cost</u>		
Bank Charges	3	
Overdraft Interest	305	
Interest charged by the supplier	50	(358)
Profit for the year		58,007

(Note 1) : $71,550 - 2,500 = \mathbf{69,050}$

(Note 2) : $3,200 + 800 + 10,000 - 8,000 - 4,000 = \mathbf{2,000}$

(Note 3) : $3,940 + 1,000 + 800 = \mathbf{5,740}$

(Note 4) : $380 + 500 = \mathbf{880}$

(15 mark)

(b)

MR. HIRUKA**STATEMENT OF FINANCIAL POSITION AS AT 31ST MARCH 2012**

	<i>Rs. "000"</i>	<i>Rs. "000"</i>
<u>Non Current Assets</u>		
Land	10,500	
Buildings	13,290	
Motor Vehicle (Net) (Note 5) (29,700 – 13,140)	16,560	
Equipment, Tools & Computers	1,300	
	41,650	
Fixed Deposit	25,000	66,650
<u>Current Assets</u>		
Inventories	69,050	
Prepayments – Buildings Insurance	200	
Trade Receivables (Net of Bad Debt) (27,300-3,130) (Note 6)	24,170	
Interest Receivable	3,000	
Cash in Hand	275	96,695
Total Assets		163,345
<u>Equity</u>		
Capital A/c – Hiruka		50,000
Current A/c – Hiruka as at 1 st April 2011	18,240	
Add : Profit for the year	58,007	
	76,247	
Less : Drawings	(4,450)	71,797
		121,797
<u>Current Liabilities</u>		
Accrued Expenses (550 + 120 + 20)	690	
Trade Payables	37,390	
VAT Payable	1,290	
Bank Overdraft (1,650+500+3+25)	2,178	41,548
Total Equity & Liabilities		163,345

Note 5 : $27,700 - 8,000 + 10,000 = 29,700$

$11,400 (3,200 + 800) + 5,740 - 13,140$

Note 6 : $27,300 - 3,130 = 24,170$

(15 marks)

Answer No. 02

RST Traders
Income Statement & Profit & Loss Appropriation Account
For the year ended 31 March 2012

	Rs. '000'	Rs. '000'
Sales (Turnover)		28,000
Less: Cost of sales		
Inventories as at 01 April 2011	1,050	
Add: Purchases	12,600	
	13,650	
Less; Inventories as at 31 March 2012	(925)	12,725
Gross Profit		15,275
Less: Expenses		
Administration expenses	2,920	
Depreciation - Building	240	
Selling and distribution expenses	3,770	
Depreciation - Motor Vehicle	1,200	
Bad Debts	26	
Provision for Doubtful Debts	90	
Finance cost	1,368	
Interest on Loan	130	9,744
Net Profit		5,531
Less Salaries		
Reen	240	
Seen	360	
Teen	480	1,080
Loan Interest		
Reen	140	
Seen	95	
Teen	35	270
Share of Profits		
Reen	2,090.50	
Seen	1,393.68	
Teen	696.83	4,181
		-

RST Partnership
Statement of Financial Position as at 31 March 2012 (before retirement)

	Rs. '000'	Rs. '000'
Property, Plant & Equipment		
Land		2,400
Building - at cost	4,800	
	<u>(2,340)</u>	2,460
Motor Vehicle at cost	12,000	
	<u>(4,800)</u>	7,200
Inventories as at 31 March 2012		925
Debtors	2,600	
Less; Provision for doubtful debts	<u>(130)</u>	2,470
Cash in Hand and at Bank		105
Amount paid to Teen		450
		16,010
Capital Accounts as at 31 March 2012		
Reen	2,800	
Seen	1,900	
Teen	700	5,400
Current Accounts as at 31 March 2012		
Reen	2,475.50	
Seen	2,663.67	
Teen	1,056.83	6,196
Loan given by Reen		1,300
Trade Creditors		3,114
		16,010

RST Partnership
Statement of Financial Position as at 31 March 2012 (After Retirement)

	Rs. '000'	Rs. '000'
Property, Plant & Equipment		
Land	2,400	
Building – Revaluated	3,000	
Motor Vehicle – revaluated	<u>7,500</u>	12,900
Inventories as at 31 March 2012	925	
Debtors	2,430	
Cash in Hand and at Bank	<u>105</u>	3,460
		16,360

	Rs. '000'	Rs. '000'
Capital Accounts as at 31 March 2012		
Reen	3,310	
Seen	<u>2,240</u>	5,550
Current Accounts as at 31 March 2012		
Reen	2,476	
Seen	<u>2,664</u>	5,139
Loan Account – Reen		1,300
Amount to be paid to Teen		1,257
Trade Creditors		<u>3,114</u>
		16,360

Revaluation Account			
Debtors	40	Building	540
Reen - 600		Motor Vehicle	700
Seen - 400			
Teen - <u>200</u>	1200		
	<u>1,240</u>		1,240

Partners' Capital Accounts

	Rs. '000'	Rs. '000'	Rs. '000'		Rs. '000'	Rs. '000'	Rs. '000'
	Reen	Seen	Teen		Reen	Seen	Teen
Goodwill	540	360	-	O/P Balance	2,800	1900	700
Transferred to Loan Account			1,050	Goodwill	450	300	150
C/S Balance	3,310	2,240	-	Revaluation	600	400	200
	3,850	2,600	1,050		3,850	2600	1050

Partners' Current Accounts

	Rs. '000'	Rs. '000'	Rs. '000'		Rs. '000'	Rs. '000'	Rs. '000'
	Reen	Seen	Teen		Reen	Seen	Teen
O/P Balance	95	-	35	O/P Balance	-	905	-
Drawings	30	90	120	Salaries	240	360	480
Amount Paid			450	Interests	140	95	35
Motor Vehicle			400	Share of Profit	2,090.50	1,393.67	696.83
Transferred to Loan Account			206.83	Interest on Loan	130		
C/S Balance	2,475.50	2,663.67	0.00				
	2,600.50	2,753.67	1,211.83		2,600.50	2,753.67	1,211.83

Answer No. 03

1	Discount Allowed Account	Debit	97,000	
	Discount Received Account			82,000
	Trade Creditors Account			15,000
			97,000	97,000

2	Expense Account	Debit	1,000,000	
	Asset Account			1,000,000
			1,000,000	1,000,000

3	Debtors Account	Debit	90,000	
	Sales			90,000
			90,000	90,000

4	Return Inwards	Debit	80,000.00	
	Debtors Account			80,000.00
			80,000.00	80,000.00

5	Creditors Account	Debit	300,000	
	Advanced Paid	Debit	50,000	
	Purchase Account			350,000
			350,000	350,000

6	Bank Account	Debit	8,500	
	Discount received Account			6,500
	Suspense Account			2,000
			8,500	8,500

7	Suspense Account	Debit	9,000	
	Electricity Expense			9,000
			9,000	9,000

8	Suspense Account	Debit	550,000	
	Rent Expense			230,000
	Rent Income			320,000
			550,000	550,000

Suspense Account			
Electricity Expense	9,000	Opening balance Bank Account	557,000 2,000
Rent Expense	230,000		
Rent Income	320,000		
	559,000		559,000

(12 marks)

(B)

Core modules

Accounts receivable
Accounts payable
General Ledger
Billing
Stock/Inventory
Purchase order
Sales order

Non- Core modules

Debt collection
Expenses
Pay roll
Reports
Time sheet

(3 marks)

Answer No 04

General Journal			
Description		Dr.	Cr.
Buildings at Net Book Value (Show Room and Office)	Dr.	3,300,000	
Motor Vehicles at Net Book Value	Dr.	2,700,000	
Inventories - Glass Products as at 31 March 2012	Dr.	1,470,000	
Accounts receivable			
Amal Enterprises	Dr.	600,000	
Bimal Traders	Dr.	525,000	
Ciril's House	Dr.	451,000	
Provision for bad and doubtful debts as at 01 April 2012			15,760
Cash in hand	Dr.	105,000	
Cash at bank (overdraft)	Dr.		497,500
Accounts payables			
Gayan Manufactures			427,500
Asoka Glass Products			501,000
Silicon Producers			326,500
Capital			7,382,740
		9,151,000	9,151,000

Sales Day Book	
Amal Enterprises	400,000
Bimal Traders	160,000
Cyril's House	530,000
Super Chance Traders	210,000
	1,300,000

Sales Returns Book	
Amal Enterprises	10,000
Bimal Traders	4,000
Cyril's House	15,500
Super Chance Traders	10,500
	40,000

Purchase Day Book	
Gayana Manufactures	550,000
Asoka Glass Products	860,000
Silicon Products	1,130,000
Glossy Makes	215,000
	2,755,000

Purchase Return Day Book	
Gayana Manufactures	8,000
Asoka Glass Products	14,000
Silicon Products	6,500
Glossy Makes	50,500
	79,000

Cash Account			
Opening Balance	105,000	Cash at bank	650,000
Sales Account	1,250,000	Admin Exp	380,000
Trade Debtors	2,116,000	Sales Exp	260,000
		Cash at bank	2,116,000
		Closing Balance	65,000
	3,471,000		3,471,000

Bank Account			
Cash in hand	650,000	Opening Balance	497,500
Cash in hand	2,116,000	Purchase Account	1,190,000
		Capital	45,000
	2,362,500	Closing Balance	3,396,000
	5,128,500		5,128,500

Debtors Control Account			
Opening Balance	1,576,000	Sales Return	40,000
Sales Account	1,300,000	Cash in hand	2,116,000
		Discount Allowed	23,500
		Closing Balance	696,500
	2,876,000		2,876,000

Amal Enterprises			
Opening Balance	600,000	Sales Return	10,000
Sales Account	400,000	Cash in hand	980,000
		Discount Allowed	10,000
			-
	1,000,000		1,000,000

Buildings at Net Book Value (Show Room and Office)			
Opening Balance	3,300,000		

Motor Vehicles at Net Book Value			
Opening Balance	2,700,000		
Capital	2,500,000		
Total	5,200,000		

Inventories - Glass Products as at 31 March 2012			
Opening Balance	1,470,000		

Bimal Traders			
Opening Balance	525,000	Sales Return	4,000
Sales Account	160,000	Cash in hand	476,000
		Discount Allowed	5,000
		Closing Balance	200,000
	685,000		685,000

Cyril's House			
Opening Balance	451,000	Sales Return	15,500
Sales Account	530,000	Cash in hand	610,000
		Discount Allowed	8,500
		Closing Balance	347,000
	981,000		981,000

Super Chance Traders			
Sales Account	210,000	Sales Return	10,500
		Cash in hand	50,000
		Closing Balance	149,500
	210,000		210,000

Provision for bad and doubtful debts as at 31 March 2012			
		Opening Balance	15,760

Creditors Control Account			
Purchase Return	79,000	Opening Balance	1,255,000
Cash Account	3,396,000	Purchase Account	2,755,000
Discount Received	92,000		
Closing Balance	443,000		
	4,010,000		4,010,000

Gayan Manufactures			
Purchase Return	8,000	Opening Balance	427,500
Cash Account	820,000	Purchase Account	550,000
Discount Received	20,000		
Closing Balance	129,500		
	977,500		977,500

Asoka Glass Products			
Purchase Return	14,000	Opening Balance	501,000
Cash in hand	1,176,000	Purchase Account	860,000
Discount Received	30,000		
Closing Balance	141,000		
	1,361,000		1,361,000

Silicon Producers			
Purchase Return	6,500	Opening Balance	326,500
Cash in hand	1,350,000	Purchase Account	1,130,000
Discount Received	40,000		
Closing Balance	60,000		
	1,456,500		1,456,500

Glossy Makes			
Purchase Return	50,500	Purchase Account	215,000
Cash in hand	50,000		
Discount Received	2,000		
Closing Balance	112,500		
	215,000		215,000

Capital			
Cash at bank (Debit)	45,000	Opening Balance	7,382,740
		Motor Vehicle	2,500,000
Closing Balance	9,837,740		
	9,882,740		9,882,740

Sales Account			
		Cash Account	1,250,000
		Trade Debtors	1,300,000
			2,550,000

Purchase Account			
Cash in hand	1,190,000		
Trade Creditors	2,755,000		
	3,945,000		

Administration Expenses			
Cash in hand	380,000		

Selling Expenses			
Cash in hand	260,000		

Sales Return			
Trade Debtors	40,000		

Discount Allowed			
Trade Debtors	23,500		

Purchase Return			
		Trade Creditors	79,000

Discount Received			
		Trade Creditors	92,000

Trial Balance as at 31 March 2012

Description	Dr. (Rs.)	Cr. (Rs)
Buildings at Net Book Value (Show Room and Office)	3,300,000	
Motor Vehicles at Net Book Value	5,200,000	
Inventories - Glass Products as at 31 March 2012	1,470,000	
Account receivable		
Amal Enterprises	-	
Bimal Traders	200,000	
Ciril's House	347,000	
Super Chance Traders	149,500	
Provision for bad and doubtful debts as at 01 April 2012		15,760
Cash in hand	65,000	
Cash at bank		2,362,500
Account payables		
Gayan Manufactures		129,500
Asoka Glass Products		141,000
Silicon Producers		60,000
Glossy Makes		112,500
Sales Account		2,550,000
Purchase Account	3,945,000	
Administration Expenses	380,000	
Selling Expenses	260,000	
Sales Return	40,000	
Discount Allowed	23,500	
Purchase Return		79,000
Discount Received		92,000
Capital		9,837,740
	15,380,000	15,380,000

(B) Audit Committee

This consists of non-executive directors of the company. Purpose of the Audit Committee is to;

- Review Internal control procedures and recommend the required developments to the internal control measures of the organization.

Human Resource Committee

Purpose is to decide and make the recommendation policy, especially for CEO and management team.

Decide the targets of Board of directors and CEO

Finance Committee

Purpose is to prepare annual budget, identify variances and make recommendations.

Identify funding methods and made recommendations.

(15 marks)

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