Higher National Diploma in Accountancy
First Year, First Semester Examination - 2018
HNDA 1101 Fundamentals of Financial Accounting

Instruction for Candidates:	No of questions: 06
Answer five (05) questions **including 01 & 02**	No. of pages : 08
Non programmed scientific calculators are allowed.	Time : 03 hours

Question 1

1. Name the elements in Financial Accounting? (3M)

2. What are the categories of errors? (4M)

3. The invoiced price of a commodity is Rs. 50,000 with a trade discount of 10%. Eranda Traders issued the invoice to Wilson traders. How much is recorded in the books of original Entry of Wilson traders and in what book is it recorded? (2M)

4. Complete following table. (4M)

Day book	Transaction	Source document
1)...	Purchase raw materials on cash	2)……………………………
3)…………………………...	Return Rs.5000 of raw material due to changes	4)……………………………
5)…………………………...	Credit sales of PPE	6)……………………………
7)…………………………...	Sales return of Rs.4000	8)…………………………....

5. Mention two uses of the Trial Balance? (2M)

6.

   a. Name the one main steps involved in bank reconciliation process? (1M)

   b. When a customer's cheque that is lodged is dishonored by the bank, what is the effect on balance? (2M)

7. A company's statement of profit or loss for the year ended 31st march 2018 showed a net profit of Rs.83600. it was later found that Rs.18000 paid for the purchase of motor van had been debited to the motor expenses account. It 1s the company's policy to depreciate motor vans at 25% per year on the straight line basis, with a full year's charge in the year of acquisition. What would the net profit be after adjusting for this error?

(2M)

8. Briefly explain the terms of the Garner vs. Marey law? (2M)

9. Following item relates to a garment factory. Indicate each item is a component or not of Prime cost. (4M)

Cost Item	Prime cost or Manufactunng O/H
I. Depreciation of sewing machines	……………………………..
II. Carriage inwards expenses of clothes	……………………………..
III. Salary of sewing machine operators	……………………………..
IV. Factory rent	……………………………..

10. Nishal carries a manufacturing organization and a show room in separately. The showroom caught a fire on 31.03.2018 and the entire stock was destroyed. The following were received in books of accounts.

	Material (Rs.)	Finish goods (Rs.)
Inventory as at 01.04.2017	100 000	200 000
Purchase of material	420 000	-
Material as at 31.03.2018	50 000	-

- Total manufactory cost for the paved except direct material cost was Rs. 180 000.
- Total sales income was Rs.900 000
- Goods are sold on 20% profit in cost of sales

Find the Total manufacturing cost and mark up value of destroyed stock?

(4M)

(Total marks 30)

Question 2

Atharu and Mithun were partners of partnership sharing profit and losses equally. Sithum was admitted to the business as a partner on 01.04.2017 the following balances were extracted from books of accounts prepared by newly recruited account clack.

Balances as at 01.04.2017		Dr.(Rs.)	Cr.(Rs.)
Capital Account	- Athuru	-	345 000
	-Mithura	-	245 000
Current Account	- Athuru	-	12 000
	-Mithuru	8 000	-
Inventory as at 31.03.2018		80 000	
	- Sithum loan	-	50 000
Profit before appropriation			249 000

The internal audit has revealed that following errors were occurred in calculating the profit.

1.The interest for Situm's loan of Rs. 5000 was not recorded.

2. Inventory as at 31.03.2018 overcastted by Rs 24 000.

Additional information:

I. Sithum brought Rs 150 000 as capital on 01.04.2017 and provided a office equipment with a value of Rs.160 000 to the business. Goodwill of the partnership as at 01 04.2017.
was agreed for Rs 90 000 and adjustments in this regard should be made through partners
Capital accounts.
II. Partners are entitled to 10% interest on capital as at 31.03.2018
III. Drawing of Partner's Athuru and Mithuru were Rs. 10 000 and 8 000 respectively.
IV. Partners agreed to transfer Sithum's loan account to his capital account on 31.03.2018
V. Information relating to salaries and interest on capital of Athuru and Mithuru as at 31.03.2018 are given below.

	Athuru (Rs.)	Mithuru (Rs.)
Interest on capital-paid	12 000	10 000
Salary-paid	30 000	20 000
Salary-accrued	15 000	15 000

Required:

1) Appropriation of profit for the year ended 31.03.2018 (11 M)

2) Partner's current accounts and capital accounts for the year ended 31.03.2018 (14M)

(Total Marks 25)

Question 3

Malki Traders does not maintain a proper system of book keeping. The total of debit and credit balances for the year ending 31st March 2018 was Rs.898 050 and Rs.907279 respectively.

The draft statement of profit or loss showed a profit of Rs. 51 510 for the year end. The junior accountant opened a suspense account for the difference and began to check the accounting records to find the differences.He found the following errors and omissions:

I. The amount of Rs. 4,490, pertaining to sales return during the year, had been credited to Purchases return account.
II. An amount of Rs. 4,800, paid for an item of plant purchased on 30 September 2017, had been debited to repairs and maintenance account. The company charges depreciation on plant at 20% per annum using straight-line method.
III. Cash discounts allowed during the year, amounting to Rs. 418 had not been posted to ledger accounts.
IV. Cash discounts received during the year, amounting to Rs. 459 had not been posted to ledger accounts.
V. Prepaid insurance, amounting to Rs. 290 prepared at April 01st 2017, had not been brought down as an opening balance.
VI. A non-current asset had been sold during the year for Rs. 2,400. The proceeds of sale were entered in the cash book but had been credited to the sales account in the general ledger. The original cost of the asset was Rs. 6,000 and the accumulated depreciation (to date) of Rs. 4,000 were included in the non-current assets and accumulated depreciation accounts respectively. The company depreciates non-current asset at 25% per annum on straight-line basis with proportionate depreciation in the year of purchase and none in the year of sale.

Required:

1. Pass the necessary journal entries to rectify the errors. (10M)
2. Prepare a revised statement of profit or loss after correcting the above errors the for the year ended 31st March 2018. (5M)

(Total marks 15)

Question 4

The Bank Account of D Mel, a sole trader, showed a debit balance of Rs.3, 250 at 31st March 2018.

His Bank Statement at that date showed a balance of Rs.1, 740

On comparing the Bank Account and his Bank Statement he discovered the following.

I. A Direct Debit to Mobiline Telephone Services for Rs.75 had not been entered in the Bank Account.
II. Cheques recently received, totaling Rs.2 750, had been entered in the Bank Account but did not appear in the Bank Statement.
III. A cheque received from M Shantha for Rs.350 had been entered in the Bank Account as Rs.305.
IV. Cheques recently issued by D Mel to the value of Rs.890 did not appear in the Bank Statement.
V. A cheque received from D David for Rs.70 and entered in the Bank Account had been returned by the Bank as the customer had insufficient funds.
VI. Dividends o Rs.450 received by Credit Transfer had not been entered in the Bank Account.

Required :

1. Update D Mel's Bank Account at 31st March Year 2018. (10M)
2. Prepare his Bank Reconciliation Statement as at 31st March Year 2018. (5M)

(Total marks 15)

Question 5

The following trial balance was prepared from the records of Dasy manufautures as at 31st march year 2018.

	Rs.'000	Rs.'000
Sales revenue of finished goods		1800
VAT		44
Purchase of raw material	292	
Inventory(stocks) at 01.04.2017 Raw materials Work in progress Finished goods	 40 20 84	
Factory machinery at cost	600	
Direct wages	280	
Salaries	60	
Indirect factory expenses	120	
Insurance	110	
Trade receivables(debtors)	121	
Cash and cash equivalents(bank)	189	
Provision for depreciation on machinery (at 01.04.2017)		100
Property (premises)at cost	710	

Capital		542
Trade payables(creditors)		140
	2626	2626

Additional information 31st march 2018: (Rs.'000)

I. Inventory (stocks)
   a. Raw material …………………………32
   b. Work in progress……………………...30
   c. Finished goods………………………..69
II. Factory Machinery is depreciated at10% per annum on cost.
III. Salaries are to be apportioned between the factory and the office in the ratio 3:1
IV. Insurance expense includes Rs.30 of premium paid for the April month of the 2018
V. Insurance, including the prepayment, is to be divided 75% to the factory and 25% to the office
VI. Provide for Rs, 224 industry trade tax.

Required :

1. The Manufacturing Account for the year ended 31 March 2018, labeling clearly the:
   a. Cost of Raw Materials Consumed
   b. Prime Cost
   c. 3. Factory Cost of production (7.5M)
   d.
2. The Trading and Profit and Loss Accounts, for internal use, (including the Appropriation of available profits), for the year ended 31 March 2018 (3.5M)

3. Prepare the Statement of Financial Position as at 31 March 2018 (4M)

(Total 15 Marks)

Question 6

Debtor control account balance was Rs.80 000 as at 31^{st} march 2018, which was not agreed with list of balances of debtors. Following were revealed for the reference.

I. Debit balance of Rs.5000 and credit balance of 5000 was omitted from list of debtors.
II. A credit sale of Rs.6100 to kasuni was recorded in sales journal as Rs.1600.
III. Debtor control account included a credit sales of motor vehicle of Rs.40 000.
IV. Rs.3100 received from piyumi was recorded in her account as Rs.1300.
V. A cheque of Rs.3000 received from debtor was dishonored and it was recorded only in debtors his account.
VI. A credit note of Rs.2500 was omitted from books of accounts.
VII. Discount allowed of Rs.1000 was canceled by business and it was recorded in only the debtor account.
VIII. It is decided to write off due to Rs.8000 from the debtor sanduni because it was confirmed of irrecoverable but no entries were made in this regard.

Required:

1.Debtor control account with adjustment

2.A reconciliation statement of debtors control account balance after making above adjustments and total of list of debtor ledger balances before making adjustments.