

01. The trial balance of Ruwangi PLC as at 31.03.2020 was as follows.

	Debit (Rs. '000)	Credit (Rs. '000)
Sales	-	32 200
Purchases	19 550	-
Staff salaries and wages (net)	2 160	-
Building rent paid	3 600	-
Lease creditor	-	2 580
Property, plant and equipment as at 31.03.2019	28 000	-
Provision for depreciation as at 01.04.2019	-	1950
Income tax paid - 2018/19	240	-
- 2019/20	300	-
Trade receivables	8 000	-
Treasury bills	720	-
Inventories as at 01.04.2019	6 000	-
Trade payables	-	4 000
Stated ordinary share capital as at 01.04.2019	-	15 000
Revaluation reserve – Lands	-	3 700
Revaluation reserve – equipment	-	1 000
Retained earnings as at 01.04.2019	-	2 400
Bank balance	-	240
Bank loan	-	5 000
Provision for income tax as at 01.04.2019	-	200
Allowance for expected losses as at 01.04.2019	-	500
Impairment loss	200	-
	68 770	68770

The following adjustments have to be made before the preparation of financial statements for the year ending 31.03.2020.

(i) The company sells a single product and the information related to the inventories on 31.03.2020 is given below:

Number of units: 30 000
 Cost per unit: Rs. 140
 Estimated selling price per unit: Rs. 135
 Estimated selling expenses per unit: Rs. 5

The company values its inventories as per Sri Lanka Accounting Standards (LKAS) 02

(ii) Accrued electricity as at 31.03.2020 was Rs. 200 000

(iii) The business activities of the company are conducted in a building obtained under a rent agreement from 01.04.2019. According to the rent agreement, the monthly rent was Rs. 180 000. Total cash payments made on 01.04.2019 to the building owner has been debited to building rent account.

(iv) summary of property, plant and equipment and provision for depreciation shown in the trial balance is given below.

	Cost	Accumulated dep. Rs(000)
Land	15 000	-
Office equipment	4 000	600
Motor vehicles (Lease hold)	6 000	900
Furniture & fittings	3 000	450
Total	28 000	1950

(v) Motor vehicles were acquired on 01.04.2018 under a finance lease for 4 years period for the use of the directors of the company. The ownership of the asset is passed to lessee at the end of lease period. The annual lease installment payable is Rs.1 700 000. The current year lease installment has been paid and debited fully to the lease creditor's account. No other entry has been made in this respect. The lease interest is as follows:-

Year	Interest (Rs.)
2019/2020	360 000
2020/2021	290 000
2021/2022	170 000

(vi) The land has been acquired in 2015 and it was revalued in 2017/2018 at its market value. The same land has been revalued again on 28.02.2020 by a professional valuer at Rs.17 000 000.

(vii) The office equipment has also been revalued on 31.03.2020 at Rs.3 600 000 by a professional valuer

(viii) A dismissed employee (dismissed on 01.01.2020) has filed a legal case against the company. The board of directors has obtained the company lawyer's opinion on 31st March 2020 and it is probable that the company will be liable to pay Rs. 200 000 as compensation as per his opinion.

(ix) Ruwangi PLC is a company registered for Value Added Tax (VAT) and the applicable VAT rate is 15%. The sales and purchases values given in the trial balance include VAT charged and paid by the company.

(x) Property, plant and equipment are depreciated on straight line method at 10% per annum. Depreciation has to be provided for current year.

(xi) Out of the bank loan balance as at 31.03.2020 Rs.600,000 should be settled during the year ended 31.03.2021

(xii) The company's contribution for EPF and ETF has not yet been provided for the entire year. The company contributes for EPF and ETF at 15% and 3% respectively on the gross salary of employees.

(xiii) A 10% Allowance is made for expected losses on the year-end balance of trade receivables

(xiv) It has been estimated that the income tax expense for the year ended 31.03.2020 is $\frac{1}{4}$ of the profit before tax.

(xv) The company has decided to transfer Rs.1 000 000 from retained earnings to the general reserve on 31.03.2020 and on this day, directors have proposed a dividend of Rs.300 000 to the ordinary shareholders of the company.

Required:

The following financial statements (including notes) of Ruwangi PLC for publication as per **LKAS 01** (Presentation of Financial Statements)

- (i) Statement of Profit or Loss and other comprehensive income for the year ended 31.03.2020
- (ii) Statement of changes in equity for the year ended 31.03.2020
- (iii) Statement of Financial Position as at 31.03.2020

(40 Marks)

02.The summarized trial balance of Vinuga PLC as at 31.03.2020 is given below:

Description	Dr (Rs. 000)	Cr (Rs. '000)
Property, Plant and Equipment - carrying amount	49 500	
Right - of - use asset	12 600	
Sales		79 500
Cost of Sales	51 300	
Trade receivables	5 400	
Trade payables		15 500
Inventory as at 31.03.2020	6 488	
Cash and cash equivalents	1 250	
Provision for claims		800
Stated capital - ordinary shares		25 000
Land revaluating reserve as at 01.04.2019		3 500
Retained earnings as at 01.04.2019		5 650
Administrative expenses payable		300
Administrative expenses	6 462	
Distribution cost	5 600	
Finance cost	1 900	
Other expenses	1 500	
Lease liability		12 600
Income tax paid	1 250	
Provision for income tax as at 01.04.2019		400
	143 250	143 250

Additional Information:

Before preparation of the financial statements for the year ending 31.03.2020 adjustments have to be made for the following,

(i)The policy of the company to measure cost of inventory using first in first out method, however the cost of inventory as at 31.03.2020 has been measured at weighted average cost method due to a mistake and that value has been accounted for. The cost of inventory as at 31.03.2020 measured at FIFO method was Rs.6 750 000

(ii)The administrative expenses for the year consisted of the following items.

Item	Rs.000
Directors Remuneration	1250
Staff salaries	2150
Depreciation	2225
Audit Fees	275
Other administrative expenses	562
Total	6462

(iii)The advertising fee of Rs.350 000 of the company has been paid by a director from his personal bank account. This amount has been reimbursed by the company and accounted in the directors remuneration by a mistake.

(iv) The company has entered into a contract with a customer on 01.03.2020 to sell goods and provide maintenance service during the first six months after sales. The total consideration of the contract was

Rs 1 500 000 and of which Rs. 1 000 000 relates to the sale of goods and the balance for the provision for maintenance services. The company sold all goods agreed in the contract on 31.03.2020 and the total consideration of the contract was received in cash. This total amount has been accounted in the sales.

(v) The following information relates to property plant and equipment (All figures are given in Rs'000)

Description	cost value As at 01.04.2019	Purchases during the current year	Depreciation for the current year	Accumulated depreciation as at 31.03.2020	Carrying amount as at 31.03.2020
Land	22 500	-	-	-	22 500
Building	9 500	5 000	725	4 500	10 000
Motor vehicle	9 500	6 000	1 550	3 500	12 000
Office equipment	7 500	-	1 500	2 500	5 000
Total	49 000	11 000	3 775	10 500	49 500

The land of the business was revalued for the first time on 31.03.2016. The surplus resulted from this revaluation is represented by the land revaluation reserve. The land revalued for the second time on 31.03.2020 for Rs.18 000 000. However, it is not yet accounted for.

The building and motor vehicle have been purchased during the year on 01.10.2019 and 01.01.2020 respectively. However the current year depreciation has been calculated erroneously based on the year end cost of assets without considering the dates of purchase.

Property plant and equipment are depreciated annually on straight line method as follows.

Building	5%
Motor vehicle	10%
Office equipment	20%

The motor vehicles are used in the distribution of goods and other assets are used for administrative activities.

(vi) The verdict of a case filed by a customer against the company was declared on 15.05.2020 and accordingly, Rs. 550 000 was paid on this date as the full settlement of the claim. This case was filed on 01.12.2019 and the provision recognized in this regard as at 31.03.2020 based on company lawyers' opinion is shown in the trial balance. The financial statements of the company were authorized for issue by the board of directors on 15.06.2020.

(vii) The company entered into a lease agreement on 01.03.2020 to obtain the right-of-use of a building for a period of 4 years. However, this building was available for use from 31.03.2020 after spending Rs. 500 000 for renovation. This renovation is expected to generate benefits to the company over the entire lease period. However, this amount has been accounted in the other administrative expenses. Lease interest is not charged during the renovation period. According to the agreement, an annual lease rental of Rs. 4,413 000 is payable from 31.03.2021. The lease interest applicable for the year ending 31.03.2021 is Rs. 1 890 000

(viii) Income tax paid during the year includes Rs. 520 000 paid with respect to the previous year. Total income tax liability for the year ending 31.03.2020 has been estimated as Rs. 650 000

Required:

The following financial statement (including notes) of Vinuga PLC for publication as per LKAS 1 (Presentation of Financial Statements):

- (1) Statement of Profit or Loss and Other Comprehensive Income for the year ending 31.03.2020
- (2) Statement of Changes in Equity for the year ending 31.03.2020
- (3) Statement of Financial Position as at 31.03.2020

(40 Marks)

03.The trial balance of **Tharushi PLC** as at 31 March 2019 is given below:

	Rs. '000	
	Dr	Cr
Land at cost	7,200	-
Buildings at cost	4,500	-
Furniture and fittings at cost	1,100	-
Provision for depreciation:	-	-
- Buildings	-	2,250
- Furniture and fittings	-	600
Inventories at cost as at 01.04.2018	500	-
Trade debtors	600	-
Cash and cash equivalents	750	-
Trade creditors	-	380
12% bank loan obtained on 31.12.2018	-	1,000
Stated share capital (300,000 ordinary shares)		6,000
General reserves	-	2,700
Retained earnings as at 01.04.2018	-	1,280
Sales	-	9,820
Purchases	3,700	-
VAT	-	50
Staff salaries	1,600	-
Depreciation for the year		
- Buildings	250	-
- Furniture and fittings	180	-
Electricity	800	-
Other administration expenses	2,520	-
Bad debts	80	-
Income tax paid	300	-
	24,080	24,080

Additional information

(i) The total cost of the inventories as at 31.03.2019 has been estimated at Rs. 680,000. However, the estimated selling price of a stock item costing Rs. 80,000 has been calculated as Rs. 50,000. The company has further estimated that the estimated selling expense of this stock item as Rs. 10,000.

(ii) The cash and cash equivalents given in the trial balance consists of the following items

	Rs. '000
Cash in hand	550
Three months treasury bills (purchased on 31.03.2019).....	300
Bank overdrafts	(100)
	750

(iii) A set of furniture and fitting with a carrying amount of Rs. 170,000 as at 31.03.2019 has been disposed for Rs.240,000 on 31.03.2019. The sales proceeds were credited to the furniture and fittings account from the cash book. Apart from this entry, no other entries have been made in respect of this transaction. The cost of furniture and fitting disposed has been identified as Rs. 250,000

(iv) The electricity bill for the month of March 2019 amounting to Rs. 90,000 has been settled during the month of April 2019.

(v) Rs.600,000 has been granted as loans to the staff on 31.03.2019 and debited to staff salaries account. The company expects to deduct it from monthly salaries of employees within a period of six months commencing from the month of April 2019

(vi)An invoice of Rs.200,000 in respect of credit sales has been completely omitted from accounting records.

- (vii) Allowance for expected losses to be adjusted at 10% of outstanding trade debtors on 31.03.2019
- (viii) The company capitalized general reserves by issuing one share for every twenty shares held on 31.03.2019 at a price of Rs. 25 per share. However, no adjustments have been made in this regard in the ledger accounts.
- (ix) In comparing the bank account with the bank statement for the month of March 2019, the company has identified that the following adjustments have not been made in the books of accounts of the business.
- | | Rs. '000 |
|---|----------|
| Unrealized cheques as at 31.03.2019 | 300 |
| Bank charges for the month | 20 |
| Standing order payment of insurance | 40 |
- (x) Bank loan interest for the period has not been settled during the financial year ended 31.03.2019. however, the repayment of loan will commence in April 2020
- (xi) A lorry acquired on 01.04.2018 on finance lease basis for 5 years. Its fair value was Rs. 5 000 000. The ownership of this asset will be transferred to the company at the end of the lease term. The lease interest relevant for the first year and the second year are Rs.500 000 and Rs. 418 000 respectively and the total lease interest for the remaining three years amount to Rs. 682 000. Annual lease instalment is Rs. 1 320 000. It has been paid at the year end and recorded in other administration cost. No other entry has been made in relation to this transaction.(All property plant and equipment should depreciate 10% per annum).
- (xii) The company's contribution for EPF and ETF has not yet been provided for the entire year. The company contributes for EPF and ETF at 15% and 3% respectively on the gross salary.
- (xiii) It has been estimated that the income tax for the year ending 31.03.2019 is $\frac{1}{4}^{\text{th}}$ of the profit before tax

Required:

The following financial statements (including notes) of Tharushi PLC for publication as per **LKAS 01** (Presentation of Financial Statements)

- (iv) Statement of Profit or Loss and other comprehensive income for the year ended 31.03.2019
- (v) Statement of changes in equity for the year ended 31.03.2019
- (vi) Statement of Financial Position as at 31.03.2019

(40 Marks)