

Prepares Financial Statements for a Limited Company

Analyze legal background relating to Limited Liability Company

Learning Outcomes :

- Defines “ Limited Liability Companies”.
- Explains about the existence of legal background relating to accounting for companies.
- Explains types of shares that can be issued by a company and the term stated Capital

Limited Companies

If the liability of the shareholders is limited to the value of the shares purchased by the shareholders, such companies can be identified as limited companies.

Public Limited Companies

The companies that can offer their shares and debentures to the public and the minimum members is one (01) and maximum is not limited are known as public limited companies. The minimum number of directors is two (02) and there is no limit for the maximum number of directors.

Differences between Private limited companies and Public limited companies

Private limited companies	Public limited companies
<ul style="list-style-type: none">• Minimum number of members is one and maximum is fifty.	<ul style="list-style-type: none">• Minimum number of members is one and no limit for the maximum
<ul style="list-style-type: none">• Shares or other securities cannot be issued to the general public.	<ul style="list-style-type: none">• Shares and other securities can be issued to the general public.
<ul style="list-style-type: none">• Minimum number of directors is one and maximum has not been stated.	<ul style="list-style-type: none">• Minimum number of directors is two and maximum has not been stated.

Types of shares of Limited Liability Company.

According to the section 49 of companies Act, “share in a company shall be movable property.” Types of shares that can be issued by Limited Liability Companies are, as follows.

1. Ordinary shares / Equity shares
2. Preference shares
3. Special shares

Stated Capital

Companies issue its shares to general public in order to raise funds for company. The capital raised through such share issues is the **stated capital**.

According to the section 58 of companies Act, stated capital in relation to a company means the total of all amounts received by the company or due and payable to the company in respect of the issue of shares and in respect of calls on shares.”

Issue of shares in a company to be launched in accordance with the section 51 of Companies act and provisions in articles of association.

Accounting records for issuing shares by collecting consideration at once.

Issue of share can be taken place in two occasions such as

- (i) Initial Public Offer
- (ii) Secondary Public offer

Consideration per share can be collected at once or as installments (collection as installments is not under G.C.E (Advanced level Syllabus))

Journal entries relating to collection of cash at once.

- (i) Cash account Dr. xxx
 Share issue account Cr. xxx
 (Receipt of money with applications)
- ii) Share issue account Dr xxx
 Stated capital Account Cr xxx
 (Allotment of shares)

Cash to be returned back when a company received applications for shares exceeding the number of shares to be issued. Allotment of shares can be done by using a selected ratio. This is referred as pro - rata allocation method.

Excess collection to be refunded to applicant under this method, there,

Share issue Account Dr. xxx
Cash Account Cr. xxx

Example 01

Locahna PLC issued shares at a consideration of Rs. 60 on 01.01.2018 and collected all considerations at once.

Share holders Description	Existing share holders	Employees	Local Investors & other individuals	Foreigners	Total
Number of Shares applied for	50 000	200 000	300 000	50 000	-----
Number of shares allocated	-----	-----	100 000	----	-----
Rate of allocation	1 : 1	2 : 1	5 : 1

Required

- (i) Journal entry for cash collection with applications.

..... Dr
 Cr
 (ii) Journal entry for cash returned / refund
 Dr
 Cr

(iii) Journal entry for capitalization
 Dr
 Cr

(iv) Dinidu an employee received 5000 shares. How much he paid with application.

.....

(v) A local investors received 3000 shares. How much is returned to him?

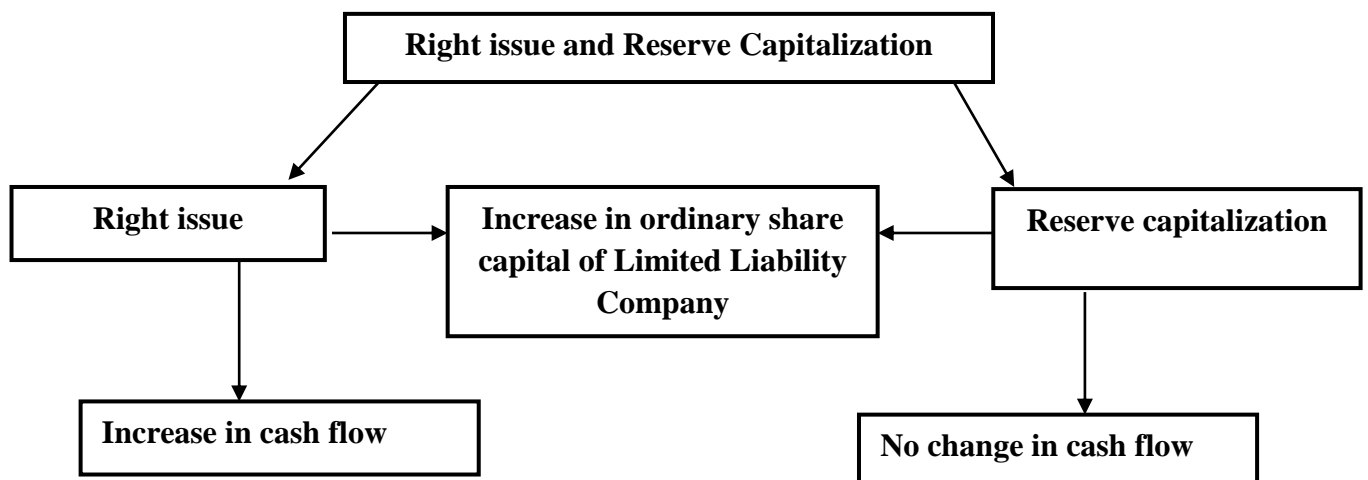
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Accounting for Reserve Capitalization and right issue.

Learning outcomes

- Explains the right issue
- Explains reserve capitalization
- State the differences between right issue and reserve capitalization
- Records right issue and reserve capitalization in accounts

▪ Session Guide



Right Issue

Issuing shares to existing ordinary share holders of a Limited Liability Company based on a ratio by getting money.

Reserve Capitalization/Bonus issue

Issuing shares to existing ordinary share holders of a limited Liability Company based on a ratio using available reserves not by collecting money from them.

Journal Entry for Right Issue

Cash Account	Dr	
Stated capital - Ordinary shares Account		Cr
(Right issue of ordinary shares atratio)		

Journal entry for Reserve Capitalization

Relevant Reserve Account	Dr
Stated capital – Ordinary shares Account	Cr
(Capitalization of Reserves at ratio)	

Example 02

Atugalpura PLC

Statement of Financial Position as at 01.01.2017 (Extracts)

Rs' 000

Stated Capital

Ordinary Shares (100 000)	4 000
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Reserves

Revaluation Reserves	1 000
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General Reserves	500
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Retained Earnings	2 000
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3 500

Board of directors made following decisions.

1. Capitalization of reserves by issuing ordinary shares for existing ordinary share holders at 4 : 1 ratio for a consideration of Rs. 40 /-
2. Right issue for a consideration of Rs. 50 for the ordinary shares available before the reserve capitalization at a ratio of 5 : 1

Required :

- (i) Journal entries to record above transactions.
- (ii) General ledger accounts relating to above transactions.
- (iii) Extracts of statement of financial position after recording above transactions.

Preparing of financial statement of Limited Liability Company by applying Sri Lanka Accounting Standards

Learning outcomes :

- Prepares statement of profit or loss and other comprehensive income according to the recommendations under the Accounting Standard for Presentation of financial statements.
 - Prepares statement of financial position
 - Prepares statement of changes in Equity
 - Prepares Notes to the accounts
- **Format of a General purpose income statement**

..... PLC
Statement of Profit or Loss and other comprehensive Income
for the year ended

(Rs. '000)

	Notes	Rs.	Rs.
Sales			xx
Cost of Sales			(xxx)
Gross Profit			xxx
Other Income	01		xxx
Distribution Cost		xx	
Administration Cost		xx	
Other Expenses		xx	
Finance cost		xx	(xxx)
Profit Before Tax	02		Xxx
Income Tax Expenses	03		(xxx)
Profit/Loss for the period			xxx
Other Comprehensive Income			
Change in revaluation reserve of Property Plant & Equipment			xxx/(xx)
Total Comprehensive Income			xxx

- **Format of a Statement of Changes in Equity**

..... PLC
Statement of Changes in Equity
for the year ended

(Rs. '000)

Description	Ordinary Shares	Revaluation Reserves	General Reserves	Retained Earnings	Total
Balance B/f	xx	Xx	xx	xx	xx
Share Issue	xx	-	-	-	xx
Total Comprehensive Income	-	Xx	-	xx	xx
Right Issue	xx	-	-	-	xx
Reserve Capitalization	xx	-	(xx)	(xx)	-
Transfer to General reserves	-	-	xx	(xx)	-
In term Dividends paid	-	-	-	-	-
Ordinary shares	-	-	-	(xx)	(xx)
Closing Balance	xxx	Xx	xx	xx	xxx

▪ **Format of a Statement of Financial Position**

..... **PLC**
Statement of Financial Position as at
(Rs. '000)

	Notes	Rs.	Rs.
Non-current assets			
Property plant and equipment	04		xxx
Right to use of lease property	05		xxx
Investment (Long term)			xxx
			xxx
Current Assets			
Inventory		xxx	
Trade Receivable	06	xxx	
Other current assets		xxx	
Cash and cash equivalents	07	xxx	xxx
Total Assets			xxx
Equity & Liability			
Stated Capital			
Ordinary Shares			xxx
Reserves			
Revaluation reserves			xxx
General Reserve		xxx	
Retained Earnings		xxx	xxx
			xxx
Non-Current Liabilities			
Bank Loan		xxx	
Lease Creditors (Non-Current)		xxx	xxx
Current Liabilities			
Lease creditors (current)		xxx	
Trade Payables		xxx	
Current portion of Long term debts		xxx	
Short tem provisions		xxx	
Other Current Liabilities		xxx	
Short term loans/Bank OD		xxx	
Total Equity and Liabilities			Xxx

Accounting policies and notes to the accounts disclosed together with financial statments of
 Limited Liability Company
 Following to be disclosed using notes

(1) Other Income	Rs.
Profit on disposal of PPE	xxx
Dividend Income	xxx
Interest Income	xxx
Rent income	xxx
Discount Received	xxx
Commission Income	xxx
	xxx

(2) Following expenses are considered in calculating Profit before tax	Rs.
Depreciation	xxx
Loss on disposal of PPE	xxx
Deficit/Loss on revaluation	xxx
Loan interest	xxx
Lease Interest	xxx
Warranty expense	xxx
Stock written off	xxx
Employee Compensation	xxx
Director fee/Allowance/Remittances	xxx
Audit fees	xxx
EPF expenses	xxx
ETF expenses	xxx
Donations	xxx
(3) Income Tax	
Income Tax on profit for the year	xxx
Under/over Provision (Last Year)	x(x)
	xx

(4) Property Plant and Equipment

(Rs. '000)

Description	Land	Buildings	Motor vehicles	Machines	Office Equipment	Computer	Total
Opening Balance	xxx	Xxx	xxx	xxx	xxx	xxx	xxx
Purchases	-	Xxx	-	-	-	xxx	xxx
Revaluations	xxx	Xxx	-	-	-	-	Xxx
Disposals	-	-	(xxx)	-	-	-	Xxx
Depreciation Adjustment for Revaluation	-	(xxx)	-	-	-	-	Xxx
Closing Balance	xxx	Xxx	Xxx	xxx	xxx	Xxx	Xxx
Accumulated Depreciation	-	-	-	-	-	-	-
Opening balance	-	Xxx	Xxx	xxx	xxx	Xxx	Xxx
Depreciation for the year	-	Xxx	Xxx	xxx	xxx	Xxx	Xxx
Disposals	-	(xxx)	-	-	-	(xxx)	-
Depreciation adjustment for revaluation	-	(xxx)	-	-	-	-	(xxx)
Closing Balance	-	Xxx	Xxx	xxx	xxx	Xxx	Xxx
Carrying Amount	xxx	Xxx	Xxx	xxx	xxx	Xxx	xxx

(5)	Right to use of lease property	Rs.
	Motor van	xxx
	Less Accumulated	(xxx)
	Depreciation	xxx
(6)	Cash and Cash equivalents	Rs.
	Petty Cash Balance	xxx
	Cash	xxx
	Treasury Bills (3 months)	xxx
		xxx
(7)	Trade receivables	
	Allowance for expected	xxx
	Losses on trade receivables	(xx)
		xxx

Accounting policies applied in preparing & presentation of finance statements to be closed with the financial statements. Such as,

- (i) Cost formula used for inventory valuation (FIFO/WAC)
- (ii) Base for asset recognition either cost or revalued amount
- (iii) Various agreements assigned by the business

Exercise 03

Following account balances are extracted from the accounting records prepared by Singithi PLC as at 31/03/2017

Balances of property, plant and equipment and accumulated depreciation as at 01/04/2016

	Cost	Accumulated Depreciation
Land and Building (Land Cost Rs. 4000)	7500	850
Distribution vehicles	10000	3200
Machines	6000	2500
Furniture and fittings	2700	700
Computers	4000	1500

Additional Information.

- During the year 2016/2017 Land was revalued for Rs. 6000 000
- A motor vehicle cost Rs. 3000 000 was exchanged on 31/03/2017 with a new motor vehicle of Rs. 5000 000. Rs 2800 000 was paid by cash on exchange. Accumulated depreciation for exchanged vehicle was Rs. 1500 000.
- Annual deprecation expenses for buildings distribution vehicles, machines, furniture and fittings and computers were Rs. 4000 000, Rs. 800 000, Rs. 500 000, Rs. 300 000 and Rs. 1000 000 respectively.

Required

Prepare note on property, plant and equipment referring Singithi PLC

Exercise 04

Balance of income and expenses for the financial year of 2017/2018 of Milano PLC give below.

	(Rs.000)
Sales	40600
Purchases	25000
Inventory 01/04/2017	4000
Carriage inward charges	1000
Return Inwards	600
Return Outwards	500
Profit on disposal of motor vehicle	100
Rent income	600
Interest Income	300
Salaries and wages	4000
Book keeping expenses	200
Loan interest	30
Impairment loss of trade receivables	170
Stock Donations	50
Director remittances	2600
Audit fee	160
Sales warantee	140
Depreciation for Buildings	80
Depreciation for moteo vehicle	120
Eco emisson and vehicle license fee	40
Telephone and Electricity expenses	200
Advertising expences	100
Lease interest	60
EPF Expense	600
ETF Expense	120
Other Administration Expense	1230
Other distribution expense	150
Other Financial expense	50
Surplus on Land revaluation for first time	2000

Additional Information

1. Inventory as at 31/03/2018 was Rs. 3500 000. Net Realizable value of it was estimated as Rs. 3200 000
2. Income Tax is 1/5 of profit before tax of the accounting year.

Required :

1. Prepare statement of profit or loss and other comprehensive Income for the year ended 31/3/2018 of Milano PLC referring the above details.
2. Prepare notes to the accounts for the year ended 31.03.2018 of Milano PLC

Exercise 05

- (1) Balance of equity items as at 01.04.2017 of Wariyapola PLC is given below.

	Rs.'000
Rs. 50/- ordinary shares (2000 000)	100 000
Revaluation reserves (Land)	4 000
General Reserve	22 500
Retained earnings	3 500

- (2) Extract from the statement of profit or loss and other comprehensive income for the year ended 31.03.2018 of Wariyapola PLC.

Profit for the period	Rs. 6500 000
Surplus on land revaluation during the year	Rs. 2000 000
Total comprehensive Income	Rs. 8500 000

- (3) Transactions caused to change the equity during the year ended 31.03/2018 of Wariyapola PLC are as follows.

- (i) On 01/04/2017, 5000 ordinary shares were issued and 60 000 applications were collected for that share were proportionately distributed and excess money was returned.
- (ii) On 01/07/2017 board of directors decided to capitalized its reserves considering the ordinary shared available at 01/4/2017 before the new share issue by offering 01 share for every 05 ordinary shares held at a consideration of Rs. 50. General reserves are used for that.
- (iii) On 01/10/2017. 20 000 ordinary shares were issued for ordinary share holders at 4 : 1 ratio at a consideration of Rs. 50. All shareholders exercised the right.
- (iv) On 31/03/2018, board of directors decided to transfer Rs. 1000 000
- (v) Directors proposed dividend of Rs. 3000 000 for ordinary shares. However Ordinary share holders were paid Rs. 20 000 as dividend during the year.

Required

1. Statement of changes in Equity for the year ended 31/03/2018 of Wariyapola PLC.
2. Notes to the account referring above transactions for the year ended 31/03/2018 of Wariyapola plc
3. Journal entries, ledger accounts to record above transaction

Exercise 06

Balances available as at 31/3/2018 in Raththota PLC after preparing statement of profit or loss and other comprehensive income and statement of changes in equity given below

Inventory as at 31/3/2018	7 800
Investment in ordinary shares	6 000
Fixed deposit (3 years)	2 500
Trade receivables	6 425
Trade payable	9 165
12% Bank Loan	3 600
Prepaid Insurance (31/03/2018)	60
Income tax payable 31/3/2018	480
Property, plant and equipment (carrying amount)	19 840
Bank loan payable as at 31/03/2018	65
Allowance for Expected losses on trade receivables	25
Accrued electricity as at 31/3/2018	40
Cash and cash equivalents	8 750
Revaluation reserves	8 200
Stated capital – Ordinary shares	16 800
Lease creditors	5 700
Lease creditor – current portion	300
General reserve	2 300
Retained earnings	4 700

Required

Prepare statement of financial position as at 31/03/2018 of Raththota PLC

Exercise 07

Trial balance extracted from chandi PLC as at 31.03.2017;

(Rs.'000)

Description	Dr	Cr
Sales	--	80 600
Cost of sales	52 000	--
Electricity, Rates and Insurance	150	--
Advertising and sales promotion expense	400	--
Carriage outward charges	100	--
Director remuneration	2 000	--
Salaries and wages	1 820	--
Interest payments	800	--
Trade receivable	3 050	--
Trade payable		1 700
Interim dividend	2000	--
Property, plant and equipment cost and accumulated depreciation as at 01.04.2016		
Land and buildings	30 000	2 500
Motor vehicle	44 000	7 800
Treasury bills (3 months)	3000	700
Cash Balance	3 270	--
Petty cash balance	600	--
Office equipment	400	--
Impairment losses on trade receivables	100	--
Allowance for expected losses on trade receivables 01.14.2016	--	200
Audit fee	400	--
General reserve	--	1 200
Lease creditor	--	4 000
Provision for Income tax as at 01.04.2016	--	150
Income tax payment	380	--
Stock as at 31.03.2017 at cost	3 500	--
Retained earnings as at 01.4.2016	--	3 000
Revaluation reserves	---	1 800
Stated capital - Ordinary shares (200 000 shares)	--	40 000
Other income	--	350
Eco emission and licence fee of motor vehicle	30	--
12% fixed deposit	2 000	--
15% Long term Bank Loan	--	6 000
	150 000	150 000

Following information to be taken into consideration before preparing financial statements for the year ended 31.03.2017 (All values are expressed in Rs. '000)

01.

- (i) Cost of buildings were Rs. 10 000. Revaluation reserve balance represent the surplus created thorough the land revaluation on 01.04.2014. A professional valuation institute revalued lands on 01.04.2016 again and recognized a deficit / loss of Rs.2000. The deficit / loss was not yet recorded.
 - (i) It was correctly recorded the purchase of motor vehicle on 01.04.2016 a finance lease. Lease installment that to be paid at each year end is Rs. 1200. It include an interest of Rs. 200. 4 installment to be paid for self interest at lease and useful life time of the motor vehicle is 5 y ears. Installment paid for current year was debited to trade payable account.
 - (iii) All depreciable assets to be depreciated on straight line method by using rates given below.
Buildings 5%
Motor vehicles 20%
- Salvage value estimation for office equipment at the end of useful life time of 3 years is Rs. 900.

(2) Net realizable value of stock as at 31.03.2017 under grouping method was Rs. 3600. But, net realizable value under item by item method was Rs. 3450.

(3) Board of directors approves financial statements on 02.05.2017. On 10.04.2017 the court informed about the bankruptcy of debtor with a balance of Rs. 50. This amount should be considered as impairment loss. Allowance for expected loss of trade receivable should increase by Rs. 100.

- (4) Accrued expenses as at 31.03.2017
 - Electricity 50
 - Audit fee 100
- Prepared expenses as at 31.03.2017
 - Insurance 50
 - Advertising & sales promotion 100
- (5) Payable amount of income tax for previous year was settled within current year. 1/10 of profit before tax was assessed as income tax for current year.
- (6) An ex-employee filed a case against the company requesting a compensation of Rs. 600. Company lawyers have informed that it has to be paid a compensation of Rs. 500.
- (7) Fixed deposit was stated on 01.10.2016 and bank informed interest for the period ended 31.03.2017 was added to the fixed deposit. But it was not yet adjusted.
- (8) Interest payment balance represents the loan interest paid within the year. Loan was obtained prior to 01.04.2016.
- (9) A computer purchase on 01.10.2016 of Rs. 2000 was wrongly recorded as purchases. Useful life time of computers is 4 years. Computers to be listed as office equipment.
- (10) Board of directors made following decisions On 31.03.2017.
 - Reserve capitalization using retained earnings at a ratio of 20 : 1.
 - Transfer Rs. 500 to general reserves.
 - Rs. 1 to be paid as dividend for ordinary shareholders.

Required

- (i) Statement of Profit or loss and other comprehensive income for the year ended 31.03.2017
(ii) Statement of charges in equity for the year ended 31.03.2017
(iii) Statement of financial position as at 31.03.201

Exercise 08

Trial balance extracted from Saranga PLC as at 31.03.2017 given below

(Rs.'000)

Discription	Dr	Cr
Trade receivable / Trade payable	2 600	2 200
Accrued expenses as at 31.03.2017	--	200
Prepaid distribution expenses as at 31.03.2017	100	--
Property, plant and equipment (cost and Accumulated depreciation)		
Land	10 000	--
Buildings	4 000	1 000
Motor vehicles	12 000	2 000
Machines	1 400	400
Depreciation for property, plant and equipment	1 000	--
Cost of sales and sales	12 000	26 000
Administration Expenses	3 300	--
Distribution cost	1 800	--
Finance Expense	1 200	--
Other Expense	800	--
10% Bank Loan	--	4 000
Lease Creditor (01.04.2016)	--	4 560
Allowance for expected losses on trade receivables (31.03.2017)	--	800
Income tax payment	1 300	--
Stated capital - Ordinary shares (200 000 shares)	--	5 000
Income tax payment	400	--
Retained earnings (01.04.2016)	--	6 090
Revaluation Reserves	--	1 500
Salaries and wages	2 000	-
Cost of inventory as at 31.03.2017	1 000	--
EPF Payable	--	150
Repair expense for sales warranty	100	--
Cash and cash equivalents	5 000	-
General reserve	--	8 100
	60 000	60 000

Additional Information

Following facts to be considered in preparing financial statements of Saranga PLC for the year ended 31/03/2017

(i) A motor vehicle acquired under a lease on 01/04/2016 by Saranga PLC was correctly recorded. Followings are related to motor vehicles.

Fair value of motor vehicle was Rs. 6000 000.

Lease period 4 years.

Rs. 1440 000 was paid as down payment. Annual installment of Rs. 1400 000 to be paid at the end of each year. Expected useful life time of the motor vehicle is 5 years. Lease interest included in current and next year lease installments are as follows.

Year	Interest (Rs'000)
2016/2017	456
2017/2018	357

(2) Bank loan to be paid by 4 installments. First installment to be paid on 30.09.2017.

Loan interest was not paid for whole year.

(3) Property plant and equipment other than lease motor vehicle are used for administration activities. Annual depreciation for property, plant and equipment items given below.

(i) Expected useful lifetime of buildings is 40 years.

(ii) Motor vehicles other than lease motor vehicles to be depreciated by 10% per annum.

(iii) Salvage value of machines at the end of useful time of 10 years was estimated as Rs. 400 000.

(iv) Lease motor vehicle was not depreciated for current year.

(4) Allowance was made as expected losses on trade receivables for a due of Rs. 600 000 from samudini PLC which was a balance under trade receivables. This amount was declared as bankrupt by the court.

(5) Management of the company decided to start a provision for sales warranty. 2% of sales to be provided for sales warranty. Amount spent to repair warranted items are included in trial balance.

(6) 10% contribution from employees from salary was adjusted and, Rs. 50 000 was paid. 15% of employee contribution for EPF and 3% contribution for ETF were not yet adjusted.

(7) A professional valuer revalued land and buildings on 31.03.2017 as follows.

Land Rs. 2500 000

Buildings Rs. 12 000 000

Revaluation surplus and deficits were recognized in previous revaluations' and revaluation reserve consisted with

Surplus on building revaluation - Rs. 300 000

Surplus in land revaluation - Rs. 1200 000

- **Rs. 1500 000**

(8) Inventory items cost Rs. 300 000 which include under closing stock is expiring on 10.04.2017 those items were sold for Rs. 320 000 after reducing its prices and Rs. 45 000 was spent for that.

(9) Income tax for the year is $\frac{1}{4}$ of the profit before tax.

(10) Company made a right issue on 01/10/2016 offering ordinary share at 4 :1 ratio, it was correctly entered in ledger. Consideration per share Rs. 25. All share holders exercised their right .

(11) Following decisions were taken by board of directors on 31. 03. 2017

(i) Reserve capitalization using retained earnings at a ratio of 5:1

(ii) Transfer Rs. 500 000 to general reserves.

(iii) Pay Rs. 2/- dividend for ordinary share holders (only for shares available & before reserve capitalizations)

Required

(i) Statement of Profit or loss and other comprehensive income for the year ended 31.03.2017

(ii) Statement of charges in equity for the year ended 31.03.2017

(iii) Statement of financial position as at 31.03.2017 Exercise for explaining subject matters

Exercise 09

Trial Balance as at 31/3/2017 of Ruwanjalee PLC given below.

(Rs. 000)

Description	Dr	Cr
Property Plant and Equipment – (cost)		
Land and Buildngs (land - Rs. 17 500)	22 500	
Motor vehicles	6 600	
Machines	8 400	--
Computer & Equipment	4 200	--
Accumulated depreciation for property, plant & equipment as at 01.04.2016		
Buildings	--	1 000
Motor vehicles	--	300
Machines	--	800
Computers	--	400
10% Fixed Deposit	4500	--
Cost of sales and sales	20 600	64 500
Income tax payment	400	
Adminstraion Expenses	6 520	--
Distribution expenses	8 000	--
Finance Expenses	1 800	--
Trade receivables	2 480	
Trade payable	--	1 800
Allowance for Expected losses on trade receivables	--	200
Stated capital - ordinary shares (2016.01.01)	--	10 000
Revaluation reserves (2016.04.01)	--	3000
General Reserve (2016.04.01)	--	2 000
Retained Earnings (2016/2017)	--	3 000
Interim dividends (2016.04.01)	400	--
15% Bank Loan	--	2 000
Lease Creditors	--	3 000
Inventories as at 31.03/2017	3 600	--
Cash	2000	
Total	92 000	92 000

Following adjustments to be completed before preparation of financial statements of Rewnajalee PLC for the year ends 31.03.2017

(01) Adjustments related to property plant and equipment (All depreciable assets to be depreciated on straight line method)

(i) Useful life time of building is 40 years. No salvage value is estimated.

(ii) Balance of Revaluation reserves represents the surplus generated through land revaluation before 2 years. This land was revalued for Rs. 20 000 000 during the year and it was not adjusted yet.

(iii) Motor vehicle account balance represent the motor vehicle acquired on finance lease at 01.04.2016 with a fair value of Rs. 3000 000. Down payment was not made when purchasing the motor vehicle. Annual lease installment of Rs. 600 000 to be paid at the end of each year. Installment payment made this year was recorded under finance expenses. Annual interest is 10% of the opening balance, Motor vehicles to be depreciated by 10% per annum.

(iv) Salvage value of machines of the end of useful life time of 10 years was estimated as Rs. 40 000.

(v) Remaining useful life time of computer and equipment were estimated as another 2 years from 01/04/2017.

(02) Inventory items cost Rs. 200 000 including stock of 31.03.2017 were sold for Rs. 150 000 on 10.04.2016

(03) Stock cost Rs. 1000 000 was sent to Padeniya PLC on 31/01/2017 on sale or return basis. They were not sold till 31.03.2017. Invoice value of the stock there were Rs.1500 000. Period of return is not yet over. This stock was not included for closing stock.

(04) Maspotha PLC, a debtor with a due of Rs. 80 000 was declared as bankrupt by the court on 12.04.2017. This balance was already recognized as an expected losse on trade receivables as at 31.03.2017. Rs. 300 000 Allowance to be maintained for an expected losses on trade receivables on remaining debtor balance.

(05) Fixed deposit was started on 01.04.2016 and, the interest received was included in bank statement. No adjustment was done on that.

(06) 6 months interest payment for 15% bank loan was included in finance expenses. Interest for remaining 6 months were not yet paid. Rs. 400 000 out of the bank loan to be paid within 2017/2018.

(07) Ruwanjalee PLC sold goods under warranty certificates. It was estimated that a provision of Rs. 200 000 to be made for sales warranty.

(08) Income tax for the year was $\frac{1}{4}$ of profit before tax.

(09) Rs. 500 000 was paid for advertising expenses during the year. Rs. 300 000 out of that is applied for next year.

(10) Financial statements were approved by board of directors on 30.06.2017

Required :

(i) Statement of profit or loss and other comprehensive income for the year ended 31.03.2017

(ii) Statement of changes in equity for the year ended 31.03.2017

(iii) Statement of financial position as at 31.03.2017

(iv) Notes to the account for the year ended 31.03.2017