



MOCK PAPER 2

Take it Easy!

EASYLINKACADEMY.COM

Question 01 (Total = 20 marks)

Given below is the Trial Balance of Beauty Lanka as at 31st December 2019.

**Beauty Lanka
Trial Balance
as at 31.12.2019**

Account	Debit	Credit
Opening inventory	100,000	
Cash in hand	25,000	
Cash at bank/ Bank Over Draft		45,000
Purchases	900,000	
Return inwards	15,000	
Salaries and wages	675,000	
Fuel and power	160,000	
Carriage outwards	45,000	
Carriage inwards	54,000	
Building (at cost)	2,500,000	
Land (at cost)	4,000,000	
Machinery (at cost)	4,000,000	
10% Bank Loan (obtained on 1/1/2019)		1,000,000
Distribution Expenses	155,000	
Drawings	25,000	
Insurance	16,000	
Trade Debtors	900,000	
Miscellaneous expenses	5,000	
Sales commission		15,000
Provision for Depreciation-Buildings		325,000
Provision for Depreciation-Machinery		350,000

Provision for Doubtful debts		75,000
Sales		2,500,000
Return Outwards		150,000
Capital		9,000,000
Trade payables		60,000
Rent received		55,000
Total	13,575,000	13,575,000

The following additional information is available.

1. The Net Realizable Value of the closing inventory is estimated to be Rs. 200,000 (The cost was Rs. 250,000).
2. The company policy is to depreciate Buildings at 5% Straight Line basis and Machinery at 10% reducing balance method.
3. It has been decided to write off a debtor worth Rs. 25,000. The company policy is to provide 10% of the debtor balance as provision for doubtful debt.
4. The owner has taken inventory worth Rs. 15,000 home but no records have been made in respect of this.
5. Insurance expense of Rs. 4,000 is due at the end of the year.

You are required to prepare;

- I. The Income Statement for the year ended 31st December 2019. (10 Marks)
- II. The Balance Sheet as at 31st December 2019. (10 Marks)

Question 02 (Total = 20 marks)

Following is the extract of balances of 2019 from the ledger of "Veer Traders".

Account Type	Amount (LKR)
Inventories as at 1st January 2019	
Raw material	30,000
Work In Progress	10,000
Finished Goods	38,000
Wages for Direct laborers	470,000
Salary for Factory Supervisors	75,000
Salary for Sales Team	50,000

Royalties	100,000
Carriage Inwards of Raw Material	17,000
Purchase of Material	670,000
Electricity	70,000
Rent	55,000
General Factory Expenses	21,000
General administration Expenses	18,000
Insurance	18,000
Heating and Lighting	15,000
Carriage Outwards	23,000
Cash	14,000
Trade Receivables	30,000
Trade Payables	45,000
Sales	1,750,000
Machinery at Cost	720,000
Computers at Cost	500,000
Plant and Premises at cost	2,000,000
Vehicles at Cost	850,000

Additional Information

- i. Inventories as at 31st December 2019
 - a. Raw Material Rs. 15,000
 - b. Work In Progress Rs. 11,000
 - c. Finished Goods Rs. 35,000
- ii. Electricity, Rent and Insurance are to be divided among factory and administration according to following basis

	Factory	Administration
Electricity	70%	?
Rent	?	20%
Insurance	60%	?

- iii. Machinery is depreciated 15% per annum on cost. All the machinery is used in the factory.
- iv. 80% of computers are used for administration work (depreciation rate is 25% on straight line basis) and all the vehicles are used by factory which is depreciated at 20% on reducing balance method.

- v. Rs. 1,250,000 worth plant and premises utilized for factory, and it is depreciated at the rate of 25% on cost.

Required.

Prepare the **Manufacturing Account** and **Trading Account** for the year ending 31st December 2019 for

Veer Traders. (15 marks offered for Manufacturing Account and 05 marks offered for Trading Account)

(20 marks)

Question 03 (Total = 20 marks)

1. "Bank Reconciliation Statement is primarily prepared for the purpose of correcting the errors made by both the business and the commercial bank which would have initially caused the difference between balance as per bank ledger account and balance as per bank statement"
Do you agree with this statement? Justify your answer with reference to the purpose of preparing a Bank Reconciliation Statement. (4 Marks)
2. You are provided with the following cash book (bank column) and bank statement of Kiyara Enterprises for the month of January 2021. Upon comparison of both records, the accountant identified that the balance as per ledger account and balance as per bank statement are different.

Cash Book (Bank column)

1-Jan	B/B/F	192,800	3-Jan	Insurance - 5032	20,000
2-Jan	Deposit-Sithara	20,000	4-Jan	Daya Mortors - 5033	11,000
4-Jan	Deposit-Kalani	55,000	5-Jan	Maintenance - 5034	15,000
4-Jan	Cash deposit	60,700	5-Jan	Janaka Enterprises - 5035	20,000
6-Jan	Deposit-Malan	28,000	7-Jan	Party Rocks Enterprises - 5036	10,000
12-Jan	Deposit-Sunari	10,000	11-Jan	Nimali Stores - 5037	12,000
15-Jan	Deposit-Menaka	25,000	15-Jan	Daya Mortors - 5038	30,000
16-Jan	Rent income	10,000	18-Jan	JK Computers - 5039	150,000
17-Jan	Cash Deposit	500,000	20-Jan	Shakthi Ltd - 5040	100,000
		18,000	31-Jan	B/C/D	577,500
		1,010,500			
		0			

20-Jan	Deposit-Dinusha	70,000	26-Jan	Sarasavi Book Shop - 5041	15,000
30-Jan	Deposit-Roshani	21,000	31-Jan	Furniture Co. - 5042	50,000
31-Jan	Deposit-Dilini				
1-	Feb B/B/F	577,500			

Bank Statement for the month of January 2021

Date	Description	Debit	Credit	Balance
1-Jan	Balance			192,800
3-Jan	Cheque		20,000	212,800
3-Jan	Chq 5032	20,000		192,800
4-Jan	Deposit		60,700	253,500
5-Jan	Direct Remittance		50,000	303,500
5-Jan	Cheque		55,000	358,500
6-Jan	Chq 5034	15,000		343,500
7-Jan	Cheque book charges	500		343,000
7-Jan	Cheque		28,000	371,000
8-Jan	Chq 5036	10,000		361,000
12-Jan	Chq 5037	12,000		349,000
13-Jan	Cheque		10,000	359,000
17-Jan	Cheque		25,000	384,000
17-Jan	Cheque		10,000	394,000
17-Jan	Deposit		500,000	894,000
19-Jan	Chq 5039	150,000		744,000

22-Jan	Bank service charge	300		743,700
22-Jan	Chq 5040	100,000		643,700
22-Jan	Cheque		70,000	713,700
22-Jan	Dishonored Cheque	70,000		643,700
28-Jan	Chq 5041	15,000		628,700
29-Jan	Interest income		5,000	633,700
30-Jan	Direct deposit		30,000	663,700
31-Jan	Adjustment for Direct deposit - error	30,000		633,700

Required.

- III. Prepare the adjusted (corrected) cash book (bank column) (8 marks)
- IV. Prepare the Bank Reconciliation Statement for the month of January 2021. (8 marks)

Question 04 (Total = 20 marks)

1. Chamodi (Pvt) Ltd had a trade receivable balance of Rs. 5,600,000 (before bad debt deduction) as at 31st December 2018 and during the year it had a bad debt of Rs. 50,000 which is not deducted from the above balance. Company estimated that 5% debtors will not pay their debts during the next year. (Note that Chamodi Ltd started its business on 01st of January 2018).

As at 31st December 2019, company has a trade receivable balance of Rs. 6,200,000 (after deduction of bad debt) and it experienced a bad debt of Rs. 35,000 during the year. Company estimates that 6% debtors will not pay their debts during the next year.

Required.

- a. Bad Debt Account for year 2018 (02 marks)
- b. Doubtful Debt Account for both 2018 and 2019 (04 marks)
- c. Provision for doubtful Debt Account for both 2018 and 2019 (04 marks) (You may show both years in one ledger account)

2. Write down the journal entries for the following adjustments given.
- The business has received Rs. 10,000 as an advance. No record has been made yet in respect of this transaction.
 - The cost of closing stock is Rs. 65,000. Due the pandemic situation, the selling price of the stock become Rs. 60,000 and to sell this lot, company has to incur Rs. 3,000 selling expenses.
 - The entity has paid out the rent expense for the year 2019 Rs. 100,000, out of which Rs. 10,000 is for the month of January and February of year 2020.
 - The electricity bill for the month of December 2019 has been paid on January 15th 2020.
 - One of the debtors worth Rs. 25,000 filed for bankruptcy during the year 2019 and the entity has already made a provision for doubtful debt for the entire worth of the debtor.

(2 marks*5 =10 marks) Question

05 (Total = 20 marks)

1. Display the impacts of the following transactions in the accounting equation

(Draw a similar format to the given in your answer booklet)

(12 Marks)

Date	Transaction
01-Jan-19	Started business by investing Rs.700,000 cash as the capital of the business
06-Jan-19	Deposited Rs.90,000 cash and opened the bank account
08-Jan-19	Obtained a bank loan of Rs.350,000
10-Jan-19	Purchased stocks at Rs.60,000 on credit basis
12-Jan-19	The owner gave Rs.150,000 worth his private motor bicycle to the business
15-Jan-19	Sold goods on cash basis for Rs.70,000
17-Jan-19	Settled creditors (Trade payables) by issuing a cheque for Rs.30,000
19-Jan-19	Sold goods for Rs. 30,000 on credit basis
22-Jan-19	Purchased an equipment for Rs.80,000 on cash
25-Jan-19	Paid Rs.8,000 from business for the electricity bill of the owner's house
29-Jan-19	Received a cheque of Rs.15,000 from a debtor (Trade Receivable)
30-Jan-19	Owner pays to a creditor from her personal money Rs.25,000

Transaction Date	Assets						Liabilities		Capital
	Cash in hand	Cash at Bank	Invent ories	Debtors (Trade Receivable)	Motor vehicles	Equip ment	Credit ors (Trade Payabl es)	Bank Loan	Capital
01-Jan-19									
04-Jan-19									
06-Jan-19									
08-Jan-19									
10-Jan-19									
12-Jan-19									
15-Jan-19									
17-Jan-19									
19-Jan-19									
22-Jan-19									
25-Jan-19									
27-Jan-19									
28-Jan-19									
29-Jan-19									
30-Jan-19									

2. A machinery was purchased on 01/01/2016 for Rs. 1,200,000. The company expects to use this machine for 10 years and the scrap value of the machinery is Rs. 200,000.00.
- Calculate the depreciable value of the machinery
 - Calculate Annual depreciation
 - Prepare Machinery depreciation account and Provision for machinery depreciation account for the year ended 31st December 2016 and 31st December 2017 respectively.

d. Prepare the balance sheet extract as at 31 December 2017

(08 Marks)

END OF THE PAPER