**ACCOUNTING FOR ENGINEERS**

**CVM5401**

**MINI PROJECT**

**NAME– RM MILHAN**

**REG – 420250509**

**SID – S20002628**

**CENT – COLOMBO**

**QUESTION 1**

Singer Sri Lanka PLC, founded in 1877 as a branch of the Singer Sewing Machine Company, USA, has grown to become the market leader in Sri Lanka's consumer durables industry. With over 145 years of history, the company boasts a reputation for trust, quality, and reliability, making the Singer brand one of Sri Lanka's most beloved.

Singer Sri Lanka PLC has evolved from a sewing machine company to a diversified consumer durables industry leader, blending tradition with innovation, and contributing significantly to Sri Lanka's economic landscape.

**Key Milestones:**

1. **Global Expansion (1851-1877):** Isaac Merritt Singer founded I.M. Singer & Company in 1851, commencing sewing machine production in the United States. In 1877, Singer expanded its operations to Sri Lanka.
2. **Diversification (1957):** Singer diversified its offerings by introducing home appliances, complementing its sewing machine sales in Asian markets.
3. **Public Company and Stock Exchange Listing (1974, 1981):** Singer Sri Lanka was incorporated as a public company in 1974 and listed on the Colombo Stock Exchange in 1981.
4. **Manufacturing and Innovation (1988-2013):** The company ventured into refrigerator manufacturing in 1988 and adopted environmentally friendly practices, such as using R600a gas in refrigerators.
5. **Digital Transformation (2001-2012):** Singer embraced e-commerce in 2001, launched an ERP system in 2010, and entered the digital media space in 2012.
6. **Group Restructure and Acquisition (2016-2017):** Singer underwent a group restructure in 2016, acquiring Regnis and Singer Industries. In 2017, it was acquired by Hayleys PLC.
7. **Recent Developments (2019-2022):** Singer relocated its head office in 2019, launched a new website in 2020, and in 2022, the brand underwent a relaunch with a new proposition and visual identity.

**Corporate Structure and Operations:**

* **Subsidiaries:** Singer has local manufacturing subsidiaries, including Regnis (Lanka) PLC, Regnis Appliances (Private) Limited, Singer Industries (Ceylon) PLC, and Singer (Sri Lanka)-Furniture Factory.
* **Partnerships:** The company collaborates with over 60 international brands, offering a diverse range of electronic items and home appliances.
* **Financial Services:** Singer expanded into financial services, incorporating Singer Finance in 2004, accepting public deposits in 2005, and launching VISA credit cards in 2015.
* **Recognition and Awards:** Singer is recognized for its commitment to economic, environmental, social, and governance (EESG) standards, as evidenced by an independent assurance report.

**ORGANIZATION CHART**

**Executive Leadership**

1. **Chairman (Executive):** Mohan Pandithage
2. **CEO (Executive Director):** Mahesh Wijewardene
3. **Independent Non Executive:** Deepal Sooriyaarachchi, Mohamed Hisham Jamaldeen, Dumith Fernando
4. **Non Executive:** Sarath Ganegoda, Brindhiini Perera
5. **Alternate Directors:** Sujeewa Perera, Kapila Perera

**Senior Management Team**

1. **CEO - Mahesh Wijewardene**
   * Factory Director - SSL Factory: Sujeewa Perera
   * Director - Information Technology: Kapila Perera
   * Director - Commercial: Thulitha Mendis
   * Director - Operations: Jagath Perera
   * Chief Executive Officer - Singer Finance (Lanka) PLC: Thushan Amarasuriya
   * Director - Sales: Vajira Tennakoon
   * Director - Human Resources & Business Integration: Roshan Kulasuriya
   * Director - Marketing: Shanil Perera
   * Finance Director: Shalinka Seresinhe

**b.**

Sales invoice . Purchase order, Receipts

Payment voucher

Credit note

Bank statement

Payroll register

Expense report

**Layouts of the source documents**

**Invoice**

Invoice Number: Date:

From: To:

Description Quant Unit Price

Item 1 2 $10

Item 2 1 $20

Total: $30

**Receipt**

Receipt Number: Date:

From: To:

Description Quant Unit Price

Item 1 2 $10

Item 2 1 $20

Total: $30

**Purchase order**

Purchase order Number: Date:

From: To:

Description Quant Unit Price

Item 1 2 $10

Item 2 1 $20

Total: $30

**Bank statement**

**Bank Name: Date Range:**

**Transaction Date Description Amount**

**01/01/2023 Payment $50**

**02/01/2023 Deposit $100**

**Total: $50**

**Payroll slip**

**Employee Name: Date:**

**Hours Worked: Rate:**

**Gross Pay: Deductions:**

**Net Pay:**

**Credit note layout**

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Company/Seller Name:** | | |  | | | |  | |
| Address : | | |  | | | |
|  | | | | | |  |
| Phone No.: | | |  | | | |
| Email ID: | | |  | | | |
| GSTIN: | | |  | | | |
| State: | |  |  | | | |
|  | | | | | | | | |
| **Credit Note** | | | | | | | | |
|  | | | | | | | | |
| **Return/Credit From:** | | | | |  | **Shipping To:** | | |
| Name: | | | | |  | ABC, Road | | |
| Address: | | | | |  |  | | |
|  | | | | |  |  | | |
| Contact No.: | | | | |  | **Return/Credit Date:** | | DD/MM/YYYY |
| GSTIN No.: | | | | |  | **Return/Credit No.:** | | ABC-2022-0001 |
| State: | | | | |  | **Invoice No.:** | | ABC-2022-1004 |
|  | | | | | | | | |
| **#** | **Item name** | **HSN/SAC** | **Quantity** | **Unit** | **Price/ Unit** | **Discount** | **GST** | **Amount** |
| 1 | Item 1 | 1234 | 1 | kg | ₹ 200.00 | 20 | 5% | 189 |
| 2 | Item 2 | 1235 | 1 | kg | ₹ 250.00 | 10 | 18% | 283.2 |
| 3 | Item 3 | 1236 | 1 | kg | ₹ 340.00 | 20 | 5% | 336 |
| 4 | Item 4 | 1237 | 1 | kg | ₹ 300.00 | 30 | 5% | 283.5 |
| 5 | Item 5 | 1237 | 1 | kg | ₹ 300.00 | 30 | 5% | 283.5 |
| 6 | Item 6 | 1237 | 1 | kg | ₹ 300.00 | 10 | 5% | 304.5 |
| 7 | Item 7 | 1237 | 1 | kg | ₹ 200.00 | 20 | 5% | 189 |
|  |  |  |  |  |  |  |  |  |
| **Total** | | | **7** |  |  | **140** | **#####** | **1869** |
|  | | | | | | | | |
| **Amount in words:** | | | |  | **Sub Total:** | | | **₹ 1,890** |
| Discount: | | | 140 |
| SGST | | | 59.35 |
|  | | | | CGST | | | 59.35 |
|  | | | | Total | | | 1868.7 |
|  | | | |
|  | | | | Received | | | 1868.7 |
|  | | | | Balance | | | 0.00 |
|  | | | | | |  | | |
|  | | | | | | Company seal and Sign | | |
|  | | | | | |
| |  | | --- | |  | | | | | | |
|  | | | | | |
|  | | | | | |
|  | | | | | |

1. Sales Invoice:
   * *Layout: Date, customer details, item description, quantity, price, total amount.*
   * *Purpose: Records a sale transaction, serves as a billing document.*
2. Purchase Order:
   * *Layout: Date, vendor details, item description, quantity, price.*
   * *Purpose: Authorizes a purchase, provides details for receiving goods.*
3. Receipt:
   * *Layout: Date, received from, description, amount.*
   * *Purpose: Confirms the receipt of payment for goods or services.*
4. Payment Voucher:
   * *Layout: Date, paid to, description, amount.*
   * *Purpose: Documents payments made, often accompanies a receipt.*
5. Credit Note:
   * *Layout: Date, customer details, reason for credit, amount.*
   * *Purpose: Acknowledges a reduction in the amount owed by a customer.*
6. Bank Statement:
   * *Layout: Date, transaction details, credits, debits, balance.*
   * *Purpose: Summarizes all transactions in a bank account.*
7. Payroll Register:
   * *Layout: Employee details, hours worked, earnings, deductions.*
   * *Purpose: Records employee compensation and deductions.*
8. Expense Report:
   * *Layout: Date, expense details, amount, receipts.*
   * *Purpose: Records employee expenses for reimbursement.*

**Question 1**

**C.**

The "Books of Original Entry," also known as "Journals," are accounting books where transactions are initially recorded. For Singer PLC Sri Lanka, common books of original entry include:

1. **Sales Journal:**
   * *Transaction 1: Sale of Sewing Machines*
     + Date: 2023-01-15
     + Particulars: Sold 50 sewing machines to Sara Enterprises Pvt Ltd.
     + Debit: Accounts Receivable (Sara Enterprises Pvt Ltd)
     + Credit: Sales Revenue
   * *Transaction 2: Sale of Appliances*
     + Date: 2023-02-10
     + Particulars: Sold 100 appliances to DOSO sewing machines Retail.
     + Debit: Accounts Receivable (DOSO sewing machines Retail)
     + Credit: Sales Revenue
2. **Purchase Journal:**
   * *Transaction 1: Purchase of Raw Materials*
     + Date: 2023-03-05
     + Particulars: Purchased raw materials from Lakbima Enterprises Holdings Suppliers.
     + Debit: Raw Materials Inventory
     + Credit: Accounts Payable (Lakbima Enterprises Holdings Suppliers)
   * *Transaction 2: Purchase of Office Furniture*
     + Date: 2023-04-20
     + Particulars: Bought office furniture from Don Carolis and Sons (pvt) ltd Furnishings.
     + Debit: Office Furniture Inventory
     + Credit: Accounts Payable (Don Carolis and Sons (pvt) ltd)

**Question 1**

**D.**

The purpose of a Journal in accounting is to record and chronologically organize financial transactions of a business. It serves as the initial entry point for transactions before they are transferred to the General Ledger. The Journal captures the date, accounts involved, and amounts of debits and credits. This chronological recording ensures a systematic and detailed account of financial activities, facilitating accurate financial reporting and analysis.

**Sample Journal Entries from Singer PLC Sri Lanka:**

1. **Date: January 15, 2023**
   * **Transaction: Sale of Electronic Appliances**
     + Debit: Sales Revenue Account
     + Credit: Accounts Receivable
2. **Date: March 5, 2023**
   * **Transaction: Purchase of Raw Materials**
     + Debit: Raw Materials Inventory
     + Credit: Accounts Payable

**E.**

i) **Goods Bought on Credit:**

* **Types of Accounts:**
  1. Accounts Payable
  2. Inventory
* **Real Transaction:** On March 1, 2023, Singer PLC purchased electronic components on credit from a supplier for LKR 100,000.

| **Date** | **Account** | **Debit (LKR)** | **Credit (LKR)** |
| --- | --- | --- | --- |
| 2023-03-01 | Inventory | 100,000 |  |
| 2023-03-01 | Accounts Payable |  | 100,000 |

ii) **Goods Bought on Cash:**

* **Types of Accounts:**
  1. Cash
  2. Inventory
* **Real Transaction:** On April 15, 2023, Singer PLC purchased sewing machines for cash, totaling LKR 200,000.

| **Date** | **Account** | **Debit (LKR)** | **Credit (LKR)** |
| --- | --- | --- | --- |
| 2023-04-15 | Inventory | 200,000 |  |
| 2023-04-15 | Cash |  | 200,000 |

iii) **Goods Sold on Credit:**

* **Types of Accounts:**
  1. Accounts Receivable
  2. Sales Revenue
* **Real Transaction:** On June 10, 2023, Singer PLC sold home appliances on credit, generating sales of LKR 150,000.

| **Date** | **Account** | **Debit (LKR)** | **Credit (LKR)** |
| --- | --- | --- | --- |
| 2023-06-10 | Accounts Receivable |  | 150,000 |
| 2023-06-10 | Sales Revenue | 150,000 |  |

iv) **Goods Sold on Cash:**

* **Types of Accounts:**
  1. Cash
  2. Sales Revenue
* **Real Transaction:** On August 5, 2023, Singer PLC sold kitchen appliances for cash, earning revenue of LKR 120,000.

| **Date** | **Account** | **Debit (LKR)** | **Credit (LKR)** |
| --- | --- | --- | --- |
| 2023-08-05 | Cash |  | 120,000 |
| 2023-08-05 | Sales Revenue | 120,000 |  |

**F.**

**Trial Balance as of 31st March 2023**

**| Account | Debit (Rs. '000) | Credit (Rs. '000) |**

**| Revenue – Net 54,767**

**| Gross Profit 18,872**

**| Operating Profit 6,688**

**| Net Finance Cost 6,119**

**| Profit/(Loss) Before Tax 174**

**| Profit for the Year 96**

**| Total Comprehensive Income (136)**

**| Stated Capital 626**

**| Revenue Reserves 7,917**

**| Capital Reserves 1,351**

**| Statutory Reserves 244**

**| Non-Controlling Interest 1,947**

**| Property, Plant and Equipment 7,652**

**| Other Investments 24**

**| Net-Current Assets 14,015**

**| Gross Dividends | 225 |**

**| Dividend per Share | 0.20 |**

**| ... (Continue for other accounts)**

**Total Debits: 106,019,000**

**Total Credits: 106,019,000**

**This has to be continued further and were prepared using the details provided by the person that ive interviewed and the sample trial balance he provided(Most of the confidencial details were denied and I didn’t push them further than that)..**

Books of original entry, source documents, and the trial balance are integral components of the accounting framework. The meticulous recording of transactions in books of original entry, supported by authentic source documents, sets the stage for accurate financial reporting. Meanwhile, the trial balance acts as a safeguard, ensuring the arithmetical accuracy of ledger accounts and facilitating the preparation of comprehensive final accounts.

This detailed exploration has provided a comprehensive understanding of these concepts, showcasing their practical application in a hypothetical scenario based on Singer PLC Sri Lanka. As businesses navigate the complexities of financial management, a solid grasp of these foundational principles becomes imperative for sustained success.

**The process of preparing a trial balance.**

Compilation of ledger balances

Listing debits and credits

Verification of equity

Investigation of discrepancies

**Question 2**

**a.**

**Introduction**

Tokyo Cement Company in Sri Lanka, a key player in the cement manufacturing industry, has been a significant contributor to the country's construction sector. Established in 1982, Tokyo Cement has evolved into a leading manufacturer with a diverse product portfolio.

Tokyo Cement Group's third-quarter financial review (ending December 31, 2021) reveals a robust performance. The company reported a turnover of Rs. 13,771 million, marking a 20% YoY growth. Despite this positive trend, sales volumes saw a 3% reduction due to supply chain challenges.

**Chairman**

* + DR. HARSHA CABRAL, PC

**Managing Director**

* + MR. S. R. GNANAM

**Director**

* + MR. A. S. G. GNANAM
  + MR. E. J. GNANAM
  + MR. A. D. B. TALWATTE
  + MR. RAVI DIAS
  + DR. INDRAJIT COOMARASWARMY

**Executive Director**

* + MR. W. C. FERNANDO

**Non-Executive Director**

* + MR. SHUICHI NAKAMOTO

**Executive Non-independent Director**

* + PRAVEEN GNANAM

**Outlook and Expansion Projects**

The company anticipates challenges from global increases in coal and oil prices, freight costs, and the impact of the Omicron variant. Despite this, Tokyo Cement is confident in maintaining local production levels and has initiated strategic expansion projects. These include a factory expansion to increase manufacturing capacity by 1 million Metric Tons by early 2023 and the Tokyo Cement Colombo Terminal expansion, enhancing bulk cement importation, packaging, and distribution capacity.

**Economic Landscape and Recommendations**

Immediate measures are recommended to attract Dollar remittances and investments for increasing foreign reserves. Long-term policy frameworks should encourage local manufacturers to maximize production capacity, reducing dependency on imports and minimizing foreign exchange outflows.

The organizational chart reflects a hierarchical structure, showcasing the various departments, their functions, and the reporting relationships within the company.

**b.**

**Cost Structure Analysis for Cement Production**

**Fixed Costs**

Fixed costs in cement production are the expenses that remain constant irrespective of the production volume. These include salaries, rent, and depreciation of fixed assets. Tokyo Cement meticulously calculates these costs to determine the baseline expenses necessary for operations.

**Variable Costs**

Variable costs fluctuate with the production volume. Raw materials, energy consumption, and direct labor costs fall into this category. Tokyo Cement closely monitors these costs to ensure efficient resource allocation.

**Semi-Fixed Costs**

Semi-fixed costs, also known as mixed costs, have both fixed and variable components. For Tokyo Cement, maintenance and repair costs for machinery can be semi-fixed. The company employs sophisticated accounting methods to segregate these costs for precise analysis.

**c.**

**Product Pricing Calculation**

Tokyo Cement adopts a comprehensive approach to product pricing. The company considers various factors such as production costs, market demand, and competitor pricing strategies. The pricing team collaborates with different departments to ensure that the final price reflects the product's value while remaining competitive.

**Pricing Strategy and Market Challenges**

To counter increased production costs, freight charges, and currency depreciation, Tokyo Cement revised the Maximum Retail Price (MRP) of a 50kg bag of cement. Starting at Rs. 1,275/- from November 7, 2021, it further increased to Rs. 1,375/- by January 1, 2022. Notably, this price adjustment reflects the lowest increase across building materials in a three-year period.

**d.**

**Breakeven Point Determination**

The breakeven point is a crucial metric for Tokyo Cement. By analyzing fixed and variable costs alongside product pricing, the company identifies the production volume at which total costs equal total revenue. This helps in strategic decision-making, allowing Tokyo Cement to avoid losses and plan for profitability.

A math equation with black text

Description automatically generated

**Profitability**

The Group's profit before tax witnessed a remarkable 38% growth, reaching Rs. 1,986 million compared to Rs. 1,442 million in the same period last year. The profit after tax also increased from Rs. 1,303 million to Rs. 1,649 million.

**e.**

**Pricing Strategy and Consideration of Competitors**

**i. Competitor Pricing Consideration**

Tokyo Cement conducts thorough market research to understand competitor pricing strategies. While the company sets its prices independently, competitor analysis helps in positioning products effectively within the market.

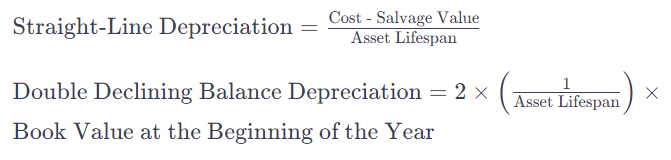
To counter increased production costs, freight charges, and currency depreciation, Tokyo Cement revised the Maximum Retail Price (MRP) of a 50kg bag of cement. Starting at Rs. 1,275/- from November 7, 2021, it further increased to Rs. 1,375/- by January 1, 2022. Notably, this price adjustment reflects the lowest increase across building materials in a three-year period.

**Market Challenges**

* The economic downturn, marked by foreign currency shortages, price caps on cement, and global commodity price hikes, significantly impacted the construction and real estate sectors.

**ii. Depreciation Calculation Methods**

Depreciation is a vital component in cost calculation. Tokyo Cement typically employs the straight-line method or units-of-production method for calculating depreciation. The chosen method depends on the nature of the asset and industry standards.



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Resource person

* + Rashinda Fernando Junior executive -Financial reporting singer
  + Pramila Liyanage - Financial Controller of Singer Sri Lanka PLC
  + Janaka Perera - General Manager - RMC Sales and Marketing Tokyo Cements