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**Third Term Examination - 2022**

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**ACCOUNTING – II**

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01. The summarized trial balance of Pinidu PLC as at 31.03.2022 is given

**Rs. 000**

Land 12,000

Building 80,000

Motor vehicle 18,000

**Provision for depreciation**

Building 12000

Motor vehicle 4,800

Opening stock 4,800

Purchaser 39,000

Sales 73,000

Trade receivables 3500

Trade Payable 4,800

Provision for warranty 600

Stated share capital 68200

Land revaluation reserve 2,000

General reserves 2,000

Returned earnings 1,600

Administration expenses 4,400

Distribution expenses 3,400

Finance cost 600

Other expenses 700

Income tax paid 1,000

Provision income tax 400

Cash and Cash Equivalents 2,000

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**Additional information**

01. Closing stock on cost is 900,000 there were hundred units and out of them. 30 units market price (NRV) has been estimated for Rs. 50,000 per unit.

02. On 31st of March 2022 the land was revalued for 9700,000 in its second revaluation.

03. On 1st of October 2021 a building was purchased for Rs. 2000,000. It has been recorded correctly. Buildings are depreciated 10% per on cost.

04. Motor vehicles are depreciated on reducing balance method at 8% .

05. On 31st of March 2022 the company entered to lease agreements to obtain right to use of a plant for 5 years paying Rs. 100,000 as a down payment. Initial value of the lease liability is Rs. 500,000. Annual lease instalment of Rs. 150,000. First instalment should be paid on 31-3-2023 lease interest for the year ending 31.3.2023 is Rs. 70,000. There is no any record regarding this except debiting paid down payment to the other expense.

06. Company sells goods with a 2% of provision for warranty.

07. Administration expenses were comprised by following values.

Auditing charges Rs. 400,000

Directors remuneration Rs. 600,000

Rent and rates Rs. 1000,000

Electricity Rs. 1400,000

Other Rs. 1000,000

08. Accrued electricity is Rs. 100,000 and prepaid. Rent and rate Rs. 200,000 have not been adjusted.

09. Rs. 500,000 should be written off as an impairment loss and 5%. of allowance for expected loss is to be made on remain debtors.

10. Interim dividend paid Rs. 600,000 is included in distribution expenses.

11. Rs. 300,000 is included in income tax paid for the last year final quarter. The rest amount has been paid for the last three quarter of the current year. Estimated income tax for the year is the Rs. 1 100 000.

12. Directors have decided to transfer 100,000 to general reserve.

**You are required to prepare**

i. Statement of changes in equity.

ii. Profit and loss and other comprehensive income statement for the year ending 31.2023

iii. Statement of financial position as at 31.3.2023 and relevant notes.

02. **(A)**. Athula and Kapila were in a partnership sharing profit and loss in the ratio of 3:2. According to the partnership agreement,

i. 6% of interest is paid on capital account balances.

ii. Athula and Kapila are entitled to receive monthly salaries as Rs. 18,000 and 20,000 respectively.

iii. For the loan provided by the partners to the business 8% of interest is paid.

Calculated profit for the year ending 31.03.2022 was Rs. 1000,000 in a subsequent investigation, following errors have been detected

i. Kapila’s personal insurance payment of Rs. 18,000 has been paid by the business as a business expense.

ii. The closing stock NRV value of Rs. 420,000 has been identified to the income statement. Its cost was Rs. 380,000.

iii. As at 31.3.2022 trade receivable balance was of Rs. 90,000. Business decided to write off Rs. 10 oopo8up as bad debt and to make an allowance for expected losses 10% from remain debtors. Balance of provision for doubtful debt accounts as at 1.4.2021 was Rs 5 000

iv. The loan provided by Athula was Rs. 300,000 when the interest was calculated for the Athula’s loan, the conditions in the partnership ordinance (section 24) had been followed.

As at 1/4/2021 partnerships equity position were as follows. (Rs 000)

**Capital account** **Current account**

Athula 1000 (30)

Kapila 800 80

On 31.3.2022 Sisira was admitted to the partnership. As a new member he brought Rs. 500,000 in cash and a Computer worth Rs. 100,000. On his new admission calculated goodwill was Rs. 300,000.

**You are required to prepare,**

i. Profit correction statement

ii. Appropriation accountant, partners Current and Capital Account For the year ending 31.3 2022.

02. **(B)** A production business provide following information for the year equality 30.12.2022.

1/1/2022 12/31/2022

Raw material 200,000 150,000

Work in progress in progress 20,000 150,000

Finished goods 80,000 ?

Material purchases 450,000

Returned outwards 10,000

Direct labor cost 260,000

Carriage in ward 50,000

Royally cost 40,000

Machineries 300,000

Building rent 45,000

Factory Electricity 10,000

Factory Supervisors salary 25, 000

Fuel and power 10,000

**Additional information**

* A value of stock Rs. 20,000 had been destroyed during the year.
* During the year 100,000 were produced. Royally cost per unit is .50.
* 80,000 units have been sold during the year.
* Closing stock will be valued on total production Cost.

**Regained to prepare**

i. Manufactory A/C for the year ending 31.3.22

ii. Value of closing stock.

**03. (A).** Kamal traders statement of financial position as at 01.01.2022 in as follows.

|  |  |  |  |
| --- | --- | --- | --- |
| **Non**  **ocurretoassets**…………………xxxxxxxxxxxxx | Cost | Accumulated. fund | Carrying Amount |
| Land and building | 1 500 | (500) | 1 000 |
| Motor vehicle | 300 | (100) | 200 |
|  | **1 800** | (**600**) | 1 200 |
| **Current assets** |  |  |  |
| Inventory |  | 200 |  |
| Debtors | 140 |  |  |
| Provision for doubtful debt | (7) | 133 |  |
| Cash |  | 100 | 434 |
|  |  |  | **1 633** |
| Capital |  |  | 1 100 |
| **Non current liability** |  |  |  |
| Bank loan |  |  | 300 |
| **Current liabilities** |  |  |  |
| Creditors |  |  | 233 |
|  |  |  | **1 633** |

Following transactions and events took place during the month of January as follows.

1.1 - Investing additional capital

8.1 - Sold a stock on credit for Rs 100 000 which purchased for Rs 80 000.

15/1 - The debtor has returned half of goods sold on credit to him.

16/1 - Paid Rs. 75,000 to the bank loan including Rs. 15,000 interest.

20/1 - Received electricity bill for the month of January Rs. 5,000.

22/1 - Received cash from debtors Rs. 53,000 and was written off Rs. 10,000 as bad debt from. remain debtors. 5% of allowance for expected, losses is to be made on final debtors balance.

30/1 - The opening balance of Creditors was settled receiving a discount B 25,000

31/1 - Property plant and equipment will be depreciated in following percentages

* Building 12% (land cost is 30,000)
* Motor vehicle on reducing balance method by 8%

**You are required to**

i. Recording the impact of above transactions to the following Accounting equation.

**Land + Building + M/Vehicle + Stock + Debtors-provision - Cash = Capital + Bank loan + Creditor**

ii. Calculate the profit or loss of the month on net asset basis

**03**. **(B)** Sapumal traders bank statement balance for the month of December was not agreed with the business bank Account. As per the bank statement balance it was a debit balance of the 12,500.

Following information are related to the month b December.

As at 31-12-2020 unpresented cheque Rs. 28,000

As at 31-12-2020 unrealized cheque Rs. 32,000

**During the mouth of January**

1. While Rs. 220,000 cheque were issued only Rs. 185,000 has been presented.

2. Out of the cheque deposited during the month for Rs 300 000 a cheque amounted Rs 35 000 has not been realized

3. Out of the unpresented cheque of December a cheque amounted Rs.16,000 had been presented during January.

4. Out of the unrealized cheque of the December cheque amounted Rs 28,000 chequehad been realized during the month of January.

Following transactions have not been recorded in business took.

i. Directly deposited amount by the debtors to the bank 200,000

ii. Directly collected dividend to 17,000

iii. Standing orders and bank charges Rs. 15,000, 6000 respectively.

required to prepare, Adjusted bank and Bank reconciliation statement for the month of January 2022.

04. A. Amal commenced a business on 1.1.2022 investing cash discounts.

1/7 400 5%

1/12 500 10%

1/22 160 \_\_\_

iii. Credit purchase Supplier Price without Trade

VAT discounts

1/3 Ishara 2000 5%

1/12 Migara 600 \_\_\_

1/25 Thushara 800 10%

iv. Credit Sales Price without Trade

VAT discounts

1/4 Anusha 3600 10%

1/16 Dinusha 1500 \_\_\_

1/28 Treesa 1300 100

v. Returned outward

Supplier Price without

VAT

1/4 Ishara 400

1/18 Migara 100

vi. Returned inward

Supplier Price without

VAT

1/17 Dunusha 500

vii. Cash receipts from debtor

Debtor Amount Discounts

1/25 Anusha 1800 10%

1/31 Dinusha 400 \_\_\_

viii. Cash payments to creditor

1/16 Ishara 630 70%

1/30 Thushara 540 10%

ix. Other payments

Paid VAT 30

**You are required to prepare**

1. Cash receipt and payment

with VAT column

2. Debtors Control A/C

3.  Purchase A/C

 Sales A/C

04. B. Following balances has been extracted from Book of Aruna PLC.

Debtor Balance Credit Returned Cash Discount

Sales inward received allowed

A 500 50 350 30 100

B 600 50 400 40 80

C 850 100 360 40 70

1950 200 1110 110 250

Creditor Balance Purchases Returned Paid Received

Outward Cash Discount

E 100 250 50 270 30

F 150 300 \_\_\_ 360 40

H 150 400 50 300 40

400 950 100 930 110

**Additional Information**

i. Sales found total has been recorded in control A/C as 950.

ii. Discount allowed column total has been recorded in control A/C on Rs. 10

iii. The total of purchase journal has been recorded in creditors control A/C as Rs. 1095

iv. Returned outward journal total has been recorded in wrong side of the relevant control A/C.

v. “B” is returned outward personal sales has not been recorded to his personal A/C.

vi. Allowed discount to "A" has been recorded to his personal A/C as Rs. 10

vii. The cash paid to ‘E’ has been recorded his personal A/C as Rs. 257.

**Required to**

1. Journal entries to correct above errors from 1 – 4

2. Debtors control account before correcting errors

3. Adjusted debtor control A/C

4. Adjusted creditors control A/C

5. Creditors reconciliation statement.

05. Menula has not maintained a proper Accounting records for his business. He commenced this business on 1.1.2022. Investing Rs 500,000 and property worth is 1200, 000 inclusive a land value is 500,000.

During the year following Tre action to have been occurred which were collected from rough cash book.

Paid cash to creditors 830,000

Paid expenses 250.000

Purchases of equipment (1.7.2022) 400,000

10% Bank loan obtained (1.7.2022) 650,000

Following additional information is provided for the year ending 31.12. 2022.

* Fixed assets are depreciated at 10% per annum on cost.
* Total identified expenses of the year was Rs. 280,000 (except to depreciation)
* During the year Menula has taken goods for his personal use in three occasions per Rs 20,000 each.
* A part of land has been of the business has been rented out for cultivation to a private company starting from 1.8.2022. The agreed annual rent is Rs. 120,000.
* Business maintenance 30% profit on sales.
* In addition to that following assets and liabilities were there as at 31.12.2002

In addition a following assets and liabilities were there as 31.12.2002

Debtors. 45,000

Closing stock. 70 000

Creditors. 80,000

**You are required to prepare**

1. Income statement for the year ending 31.3.2022

2. Statement of financial position as at 31.3.2022

**05. (A)** Samanala sport club, provide following information for the year ending 31.12.2022. It was commenced on 1/4/2022 with 200 members and monthly subscriptions per member is Rs 500

On its very first day another 10 members have obtained life membership paying Rs. 300,000 at once. It will be transferred to income statement over 10 years’ time.

During the year following transactions took place during the year.

* 50 member have paid only for 6 months.
* 60 members have paid only for 9 months.
* The rest members (90) have paid for the years and out of them 50 members have paid for the next year also.

At the beginning of the year society received a Motor vehicle of a cost of Rs. 2000, 000 as a donation it will be identified to income over 10 yeaqrs. There is no scrap value after 10 years.

**Other Cash receipt** “000”

Sale of magazine and new papers 10

Sale of sport meet ticket 500

General donation 100

Sponsorship for Training Program 250

**Cash Payment**

Sport meet expenses 30

Membership day expenses 100

Rent 40

Advertising expenses 50

Purchase of magazine 30

Electricity 60

Refreshments 150

Donations to alders home 100

Training program expenses 60

Manages Salary 30

Sports Equipment 300

**Additional Information**

i. Sport equipment value as at 31.12.22 was Rs. 250,000

ii. Accrued electricity is Rs. 50,000

iii. Manager monthly salary is Rs. 5,000 per month

iv. Receivable members training is Rs. 40,000

v. Monthly building rent Rs. 10,000 you were required to prepare.

i. Subscription Account

ii. Income statement for the year ending 31.3.2022

iii. Accumulated as at 31.3.22

iv. Current liabilities (extract) of the statement of financial position.

**06. (A).** Brayan and Nethika are partners who shared profit and loss quality. They conduct a manufacturing business to produce wooden cupboard for special orders from companies. They maintain a bank current A/C to carry out their business transaction. According to partnerships agreement.

* Partners are entitled to 10% of interest on capital.
* Rs. 15,000 monthly salary to each partners.
* Profit and loss are shared quality.

Statement of financial position as at 31.3.2021 is given below.

Capital A/C Brayan 8000 Machines

Nethila 7000 Equipment 7000

Current A/C Brayan 100

Nethila 50 Stock raw material 1200

Bank loan 1000 Finished stock 1800

Creditors 400 Debtors 800

Accrued expenses 150

Bank O.D. 100

16800 16800

Summary of business transaction is given below.

Purchase and Sales

|  |  |  |
| --- | --- | --- |
| …………………………………………. | Cash………… | Credit……………. |
| Raw material | 1 400 | 2 200 |
| Finished goods | 300 | 8 00 |
| Sales | 6 000 | 5 000 |

|  |  |  |
| --- | --- | --- |
| …………………………………………. | Factory…….. | Distribution…. |
| Paid salaries | 600 | 250 |
| Machine depreciation | 120 | 60 |
| Provision over heads | 300 | 140 |

Expenses

Paid cash to creditors. Rs 3 700

Received cash from debtors. Rs 4 500

Except to the above payments made by the business following payments have been made by the partnership through the bank account on standing orders given by the business.

Starting from 1/3/2022.

* Salaries paid to Brayan Rs. 15,000 ( Monthly)
* Monthly insurance premium of Nethik Rs. 10,000

At the end of the year following balances were there.

* Raw material 700
* Finished goods 1200

**You required to prepare,**

* Income statement of the year (without appropriation A/C)
* Partners current A/C.
* Creditors and debtors A/C balances as at 31.3.2022

06. B. Following salary details are related to a business.

Basic salary Rs. 1000,000

Allowance 200,000

O.T. 300,000

Gross salary 1500,000

EPF-Employee (80,000)

Salary Advance (120,000)

Bank loan Premium (200,000)

Net Salary 11,00000

EPF – Employer 120,000

ETF – Employer 30,000

**You are required to prepare following ledger accounts.**

1. Salaries and wages Control A/C

2. EPF payable A/C

**06 C.** A PLC entered to a lease agreement with a leasing company.

* Down payment Rs. 200,000
* Limited value at the lease liability Rs. 600,000
* Annual lease installment Rs. 270,000
* Lease interest

1st year - 80,000

2nd year - 70,000

3rd year - 50,000

**You are required to prepare,**

1. Right to use of lease asset A/C

2. Lease liability A/C

3. SOFP extracts of lease liability at the first year.