



University of Colombo, Sri Lanka

UCSC *University of Colombo School of Computing*

BACHELOR OF SCIENCE IN INFORMATION SYSTEMS

First Year Examination- Semester II -UCSC AY19 [held in March/April/May 2023]

IS 1108 — Financial Accounting

(Two (2) Hours)

Answer All Questions

Number of Pages = 11

Number of Questions = 2



To be completed by the candidate

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Important Instructions

- The duration of the paper is **Two (2) Hours**.
- The medium of instruction and questions is English.
- This paper has **2** questions on **11** pages.
- Answer **all** the **2** questions.
- **Write your answers on and only on the space provided** on this question paper. You are strongly advised to work on separate papers and transfer your answers to spaces provided in this paper.
- Questions appear on both sides of the paper. If a page is not printed, please inform the supervisor immediately.
- Programmable Calculators and any electronic device capable of storing and retrieving text including electronic dictionaries, smart watches and mobile phones are not allowed.
- Non-Programmable calculators are allowed,
- Do not tear off any part of this answer book. Under no circumstances may this book (or any part of this book), used or unused, be removed from the Examination Hall by a candidate.

To be completed by the examiners

1	
2	
Total	

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1. (a). You are given ten (10) transactions of a sole proprietor as follows:

- i. Invested Rs.1,200/- in cash as initial capital to start a business.
- ii. Purchased an office furniture on credit for Rs. 100 /-
- iii. Purchased goods for Rs.300/- on credit terms. These goods were purchased for resale.
- iv. Purchased goods for resale for cash worth Rs. 150/-.
- v. Purchase of furniture worth of Rs. 750/- by paying Rs.150/- in cash.
- vi. Paid Rs. 450/- to Trade Creditors.
- vii. Sold Rs. 145/- worth of stocks for Rs. 180/- on credit terms.
- viii. Owner paid his personal mobile bill of Rs.40/- from the business account
- ix. Collected Rs. 500/ from a debtor.
- x. Owner obtained Rs.,2,000,-/ from a bank as a personal loan.

You are required to: Analyze the impact of these transactions and record the impact based on the accounting equation and complete the table given on Page 3.

Note - Use parenthesis () to record cash outflows and other deductions.

[10 marks]

(b). Lina Traders acquired a motor bicycle for Rs.5,000,000/- on 01st April 2023. The expected life time is 4 years. Lina Trader is considering the impact of various depreciation methods. You are required to assist the trader.

- i. What is the depreciation amount for the financial year 2023/24 under the straight line method and the carrying value at the end of the financial year 2023/24? Assume that the expected scrap value is Rs. 1,000,000.
- ii. What is the depreciation amount for the financial year 2024/25 under the reducing balance method at a rate of 20% and the carrying value at the end of the financial year 2024/25?. Assume that there is no scrap value.

Note - Write the answer in the space given on Page 3. The last column of the table indicates the marks allocated.

[9 marks]

(c). Calculate the profit for the year ended 31st March 2022 based on the following information.

- Total assets as at 31st March 2022 -Rs 7,500,000
- Capital as at 01st April 2021 -Rs. 5,000,000
- Drawings made during the year -Rs. 600,000
- Liabilities as at 31st March 2022 -Rs. 1,700,000

Note - Write the answer in the space given on Page 3. Only the final answer is required.

[6 marks]

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Answer to Q 1(A)

#	Furniture	Inventory	Trade Debtors	Cash	=	Capital	Creditors
1					=		
2					=		
3					=		
4					=		
5					=		
6					=		
7					=		
8					=		
9					=		
10					=		

Answer to Q 1(B)

Method	Depreciation amount	Carrying value	Marks
Straight line			3
Reducing balance			6

Answer to Q 1(C)

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(d). Identify one advantage of the financial statements for each of following users.

User	Advantage
Owners	
Bankers	
Suppliers	
Trade unions	
Government	

[10 marks]

(e). State whether the following statements are TRUE or FALSE by stating "T" or "F".

Statement	T/F
As per the prudence concept, transactions are recognized considering business and owners as two separate independent entities.	
Valuing inventory at lower of cost or Net Realizable Value (NRV) is an example of prudence accounting concept.	
Paying the telephone bill of the owner of the business by the business and considered it as drawings of the business is an example of going concept.	
An example for the consistency is depreciating similar assets at the same rate every year.	
Recording an advanced payment is an example of accrual concept.	

[5 marks]

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2. Use the following information to answer part (a) and (b).

ASM Traders is a sole proprietorship. The Trial Balance of the ASM Traders as at 31st March 2023 is as follow: The figures are in '000

ASM Traders
Trial Balance as at 31st March 2023

Description	Dr.	Cr.
Property, Plant and Equipment at Cost:		
Land	6,000	
Building	10,000	
Motor Vehicle	2,800	
Office Equipment	900	
Accumulated Depreciation as at 31st April 2022		
Building		2,000
Motor Vehicle		600
office Equipment		450
Sales		125,000
Purchases	76,000	
Trade Receivables	7,200	
Trade Payables		3,200
Cash in hand	900	
Bank Overdraft		1,750
Inventory as at 01st April 2022	6,900	
Electricity	3,200	
Salaries and Wages	30,000	
Telephone Charges	2,000	
Advertising	4,000	
Showroom rent paid	550	
Printing and Stationary	1,200	
Interest on Bank Overdraft	300	
Carriage inwards	1000	
Return Inwards	2000	
Return Outwards		3000
Bank Charges	50	
Capital Account as at 1st April 2022		19,000
Total	154,000	154,000

The following additional information is also provided:

1. The closing inventory as at 31st March 2023 was valued at cost of Rs.7,200,000/-.
2. ASM Traders purchased a Motor Bike for Rs.300,000/- on 01st January 2023 on credit from City Riders Ltd. This was not recorded in the books of accounts of ASM Traders for the year

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ended 31st March 2023.

3. The policy of the business is to provide depreciation on straight-line basis at cost as follows:
Building : 05% per annum
Motor Vehicles : 20% per annum
Office Equipment : 20% per annum
4. The rent agreement of the showroom was entered into on 01st April 2022 for a period of one year. Monthly showroom rent is Rs.50,000/-.
5. The following expenses for the March 2023 has not been accrued in the books of accounts:
Electricity bill : Rs.175,000/-
Advertising : Rs.25,000/-
6. After evaluating the trade receivables balance as at 31st March 2023, the owner of ASM Traders has decided to write off a balance of Rs.800,000/- as bad debt.

You are required to prepare the

- (a). Statement of Comprehensive Income for the year ended 31st March 2023.

[30 marks]

- (b). Statement of Financial Position as at 31st March 2023.

[15 marks]

Note

- In preparing the above-mentioned statements, you are required to use the tables given on Page 7-10.
- Some entries were done for you.
- The last column indicates the marks allocated for the correct answers.

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ASM Limited
Statement of Profit and Loss and other Comprehensive Income
For the year ended 31st March 2023

#	Item	Rs.	Rs.	Rs	Marks
1	Sales				1
2	Sales inwards				1
3					
4	Less - Cost of Sales				
5	Opening Stock				1
6					1
7					1
8					1
9					1
10					
11					
12					
13	Cost of Sales				1
14	Gross Profit				2
15	Other Income				
16					

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17	Less - Expenses				
18	Depreciation Motor Vehicle				5
19	Depreciation Building				2
20	Depreciation Office Equipment				1
21	Advertising				2
22	Bad Debts				1
23	Rent				1
24	Electricity				3
25	Salaries and Wages				
26	Telephone				
27	Printing and Stationary				
28	Bank Overdraft Interest				
29	Bank Charges				
30					
31	Profit for the year				5

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ASM Limited
Statement of Financial Position
As at 31st March 2023

#	Item	Cost	Accumulated Depreciation	Carrying Value	Marks
1	Non-Current Assets				
2	Land				
3	Building				
4	Motor Vesicle				
5					2
6					3
7					
8	Current Assets				
9	Inventory				1
10	Trade Receivable				3
11					1
12	Total Assets				
13					
14	Equity and Liability				
15	Capital at the beginning				1

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16	Profit for the year				1
17					
18	Current Liabilities				
19	Trade payable				
20					
21					
22					1
23					1
24					1
25	Bank overdraft				
26	Total Equity and Liability				

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(c). For the following subquestions, you are required to state only the final answer.

- i. Suppose a firm has Rs. 100M in inventories, a current ratio equal to 1.2, and a quick ratio equal to 1.1. What is value of the firm's current assets?

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[3 marks]

- ii. what is value of the firm's net working capital?

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[3 marks]

Note Working capital refers to the funds that a company uses to operate its day-to-day business activities.

- iii. Alex sells one unit at Rs. 70/- and keeps a 40% profit margin. How much does it cost to Alex to produce one unit?

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[3 marks]

- iv. What is the inventory turnover ratio for a company with an opening inventory of 14,000, a closing inventory of 32,000, and a cost of sales is Rs. 69,000?

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[3 marks]

- v. What is the trade payable days for a company with a trade payable balance of Rs. 50,000 and cost of goods sold of Rs. 150,000?

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[3 marks]

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