

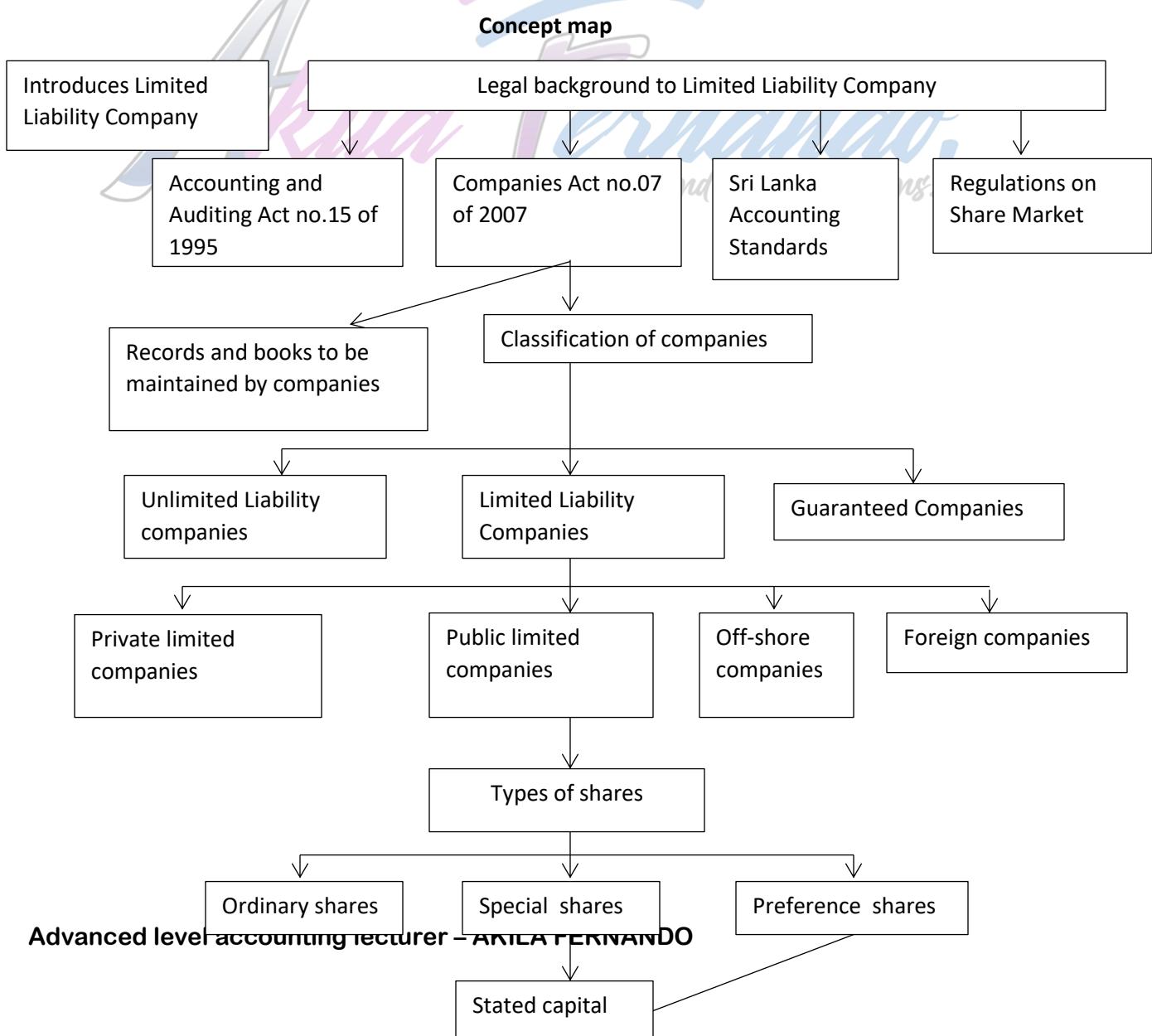
CHAPTER 11

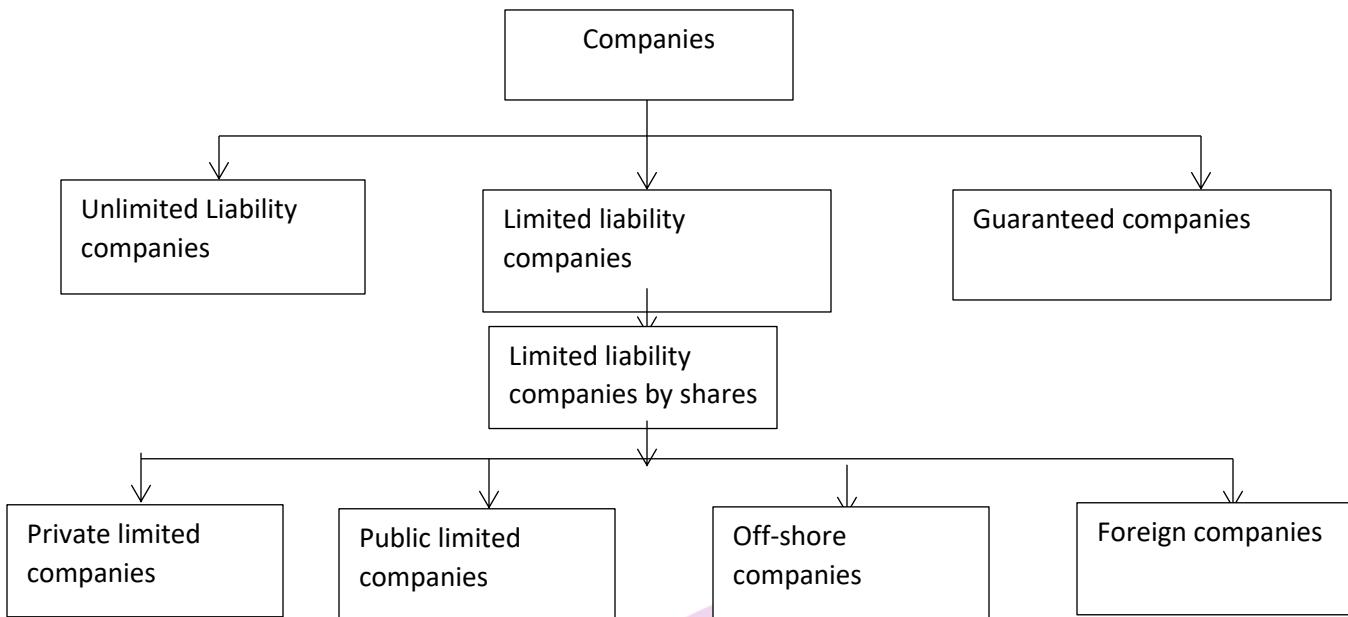
PREPARE FINANCIAL STATEMENTS FOR LIMITED LIABILITY COMPANIES

Learning outcomes:

- Defines “Limited Liability Companies”
- Classifies companies according to the companies Act no 7 of 2007
- Explains about the existence of legal background relating to according for companies
- Stated the records to be maintained by companies
- Explains types of shares that can be issued by a company and the term stated capital

Basic terms and concepts:





Books and record that are maintained by Limited Liability Companies

- I. Records on cash receipts to the company and ways of spending using the collection.
- II. Records about assets and liabilities
- III. Records on trading of good such as credit purchases and sales with details of customers and suppliers
- IV. Records of closing stock
- V. Service reports if it related to provide services

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 can be issued by Limited Liability Companies are, as follows.

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

**Only introduction of preference shares should be taught at G.C.E
Advance Level**

State capital

Companies issue its share to general public in order to raise funds for company. The capital raised through such share issue 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 to 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 and provisions in articles of association

Consideration for issue of share

As per the section 52 companies Act, the board of directors decides the consideration for which the shares will be issued

The consideration for a share issued may take in any, from including

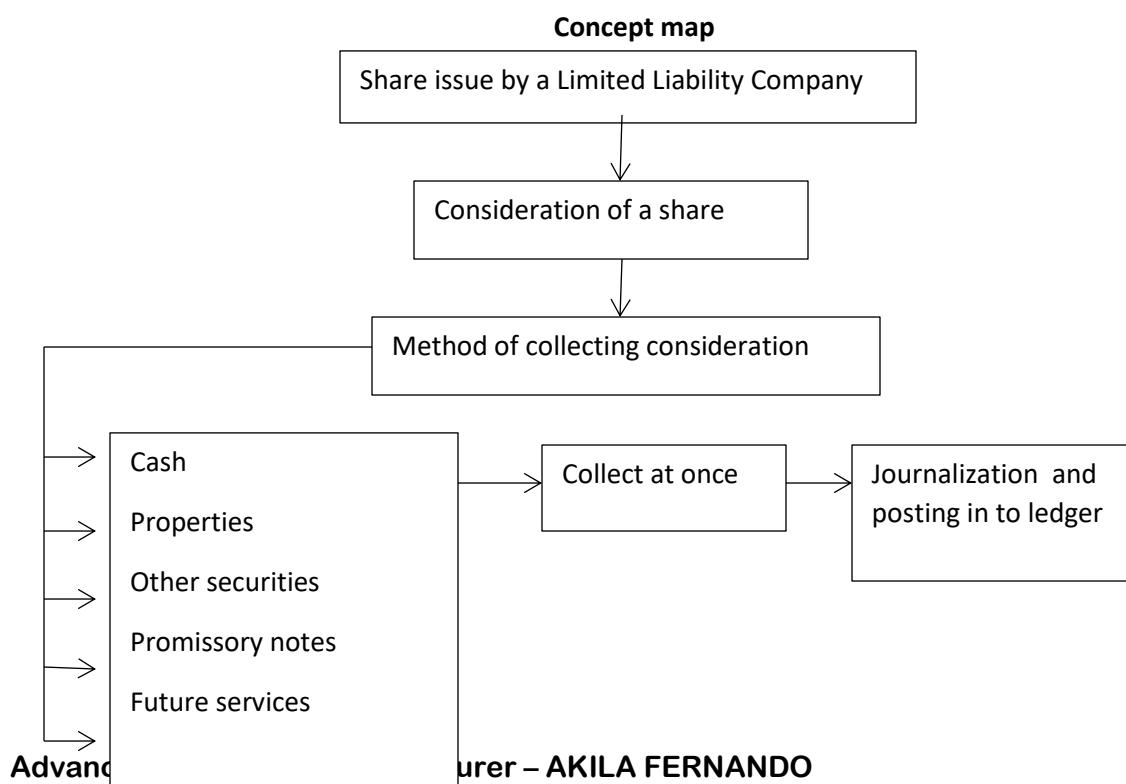
- Cash
- Promissory notes
- Future services
- Assets and properties
- Other securities

Accounting records for issuing shares by collecting consideration at once

Learning outcomes:

- Explains “consideration of a share”
- States the methods of collecting consideration of a share
- Prepares accounts of when collecting the consideration by cash at once

Basic terms and concepts:



Guidance to clarify subject matter:

Share issue and collect consideration

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

- I. Initial public offer
- II. Secondary public share 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

- Account Dr.xxx
Share issue account Cr.xxx
(Receipt of money with applications)
- Share issue account Dr
Stated capital Account Cr
(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 using different loses. This is refereed as pro-rata allocation method.
- ❖ Excess collection to be refunded to applicant under this method, there,
Share issue account Dr
Cash Account Cr

Assignment 02

On 01.01.2018 Amanda PLC issued 100,000 shares to general public at a consideration of Rs.40 closing data for application collection was 31.01.2018. 120 000 shares were applied by applicant on 31.01.2018

On 02.02.2018 excess money was refunded to applicant and remaining were capitalized

Record the above situation in following ledger accounts of Amanda PLC

1. Cash control account
2. Share issue account
3. Ordinary share stated capital account

Assignment 03

Activity 01

Dialog PLC issued 50,000 ordinary shares immediately after the incorporation. Consideration of a share was Rs.18. calculate state capital of the company

Activity 02

Calculate the stated capital issued 10 000 Rs.200 shares at call Rs.150 each

Advanced level accounting lecturer – AKILA FERNANDO

Activity 04

Brandix PLC has issued ordinary shares at Rs.15 each to collect a consideration of Rs.450,000. Received application of 40 000 shares. The excess application money was returned and shares were allotted.

Required:

1. Journal entries including cash
2. Relevant ledger accounts
3. Extracted SOFP

Assignment 05

Arunalu PLC issued 100 000 shares at a consideration of Rs.50 on 01.01.2018 to general public closing date for application collection was 31.01.2018 and 250 000 share were requested on application.

Required:

Answer following questions referring to above incidents

- (a) (i) Amount collected with applications
 (ii) Amount rejected
 (iii) Amount of capitalizations/ amount of allocated shares?
- (b) Write down journal entries if all the money as collected to cash account.

Assignment 06

Maliban PLC shares at a consideration of Rs.60 and collect 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 capitalizations
.....Dr
.....Cr
- (iv) Dinidu an employee received 5000 shares. How much he paid with application
.....Dr
.....Cr
- (v) A local investor received 3000 shares. Amount refund to him was?

Assignment 07

John keels PLC called application for issue 10 000 ordinary shares at rs.15 each. 12 000 applications were received. Company proportionates Allotment and reject the excess application money.

Required:

1. Proportionate allotment ratio
2. Journal entries including cash
3. Extracted SOFP

Assignment 08

K₂ PLC breaks the news to general people from every media about the matured public ordinary shares issue of 500 000 at Rs.15 each

Purchase of shares are given below

Date	Number of shares applied	Applied party
8/05	100 000	employees
8/08	200 000	shareholders in that date
8/10	150 000	other general public
8/20	100 000	foreigners

Share issue ended at 2018/08/25. Ratio for foreigners is 2:1 and excess money rejected and other applications were accepted. All the money was received once and Rs.50 000 cheque was return.

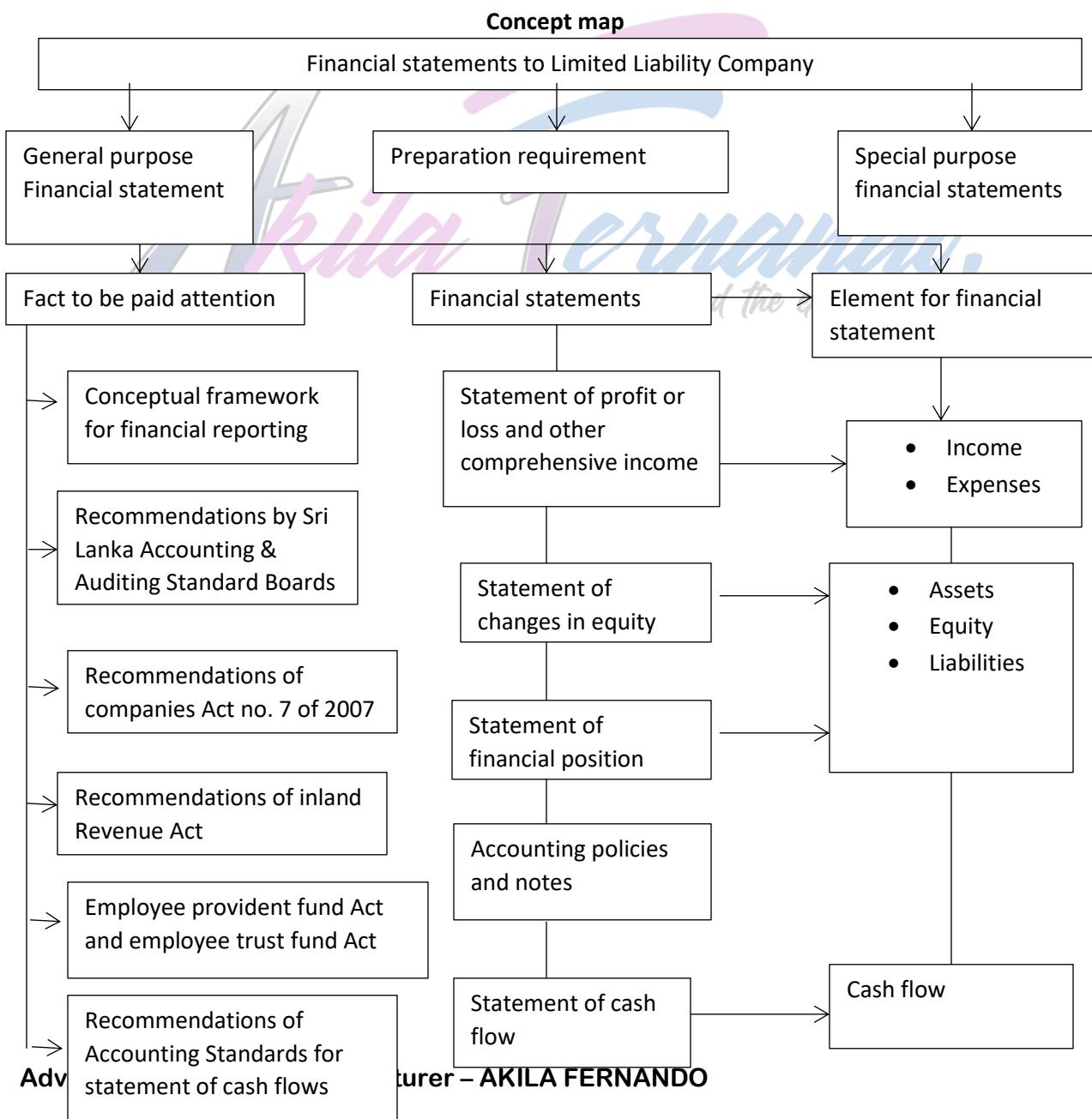
Write the journal to these transactions

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

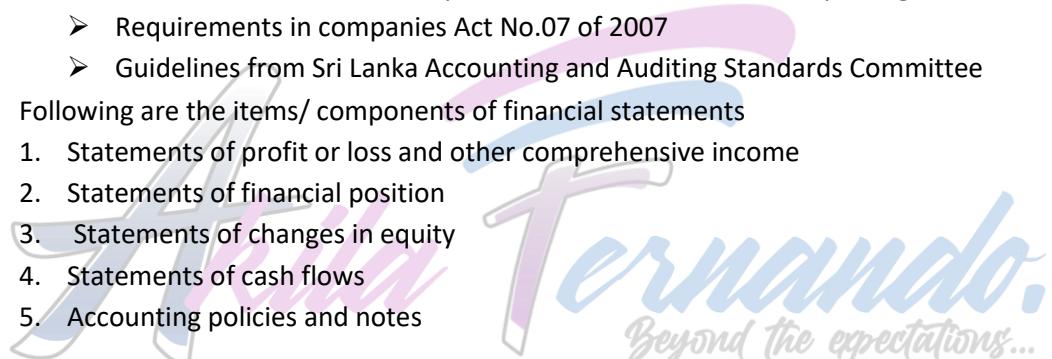
Learning outcomes:

- Defines “prepares statement of profit or loss and other comprehensive income according to the recommendations under the Accounting Standards for presentation of financial statements.
- Prepares statement of financial position
- Prepares statement of changes in equity
- Prepares notes to the accounts

Basic terms and concepts:



- Financial statement of a limited liability company is prepared on two requirements bases as
 1. Special purpose
 2. General purpose
- Financial statements which included all information (for management requirements) are called as special purpose financial statements. These are also referred as descriptive financial statements.
- Financial statements prepared to provide accounting information for the common of external parties are general purpose financial statements.
- When preparing general purpose financial statements, it is required to consider about.
 - Recommendations, formats and guidelines mentioned in Sri Lanka Accounting standard no.01
 - Recommendations in conceptual framework for financial reporting
 - Requirements in companies Act No.07 of 2007
 - Guidelines from Sri Lanka Accounting and Auditing Standards Committee
- Following are the items/ components of financial statements
 1. Statements of profit or loss and other comprehensive income
 2. Statements of financial position
 3. Statements of changes in equity
 4. Statements of cash flows
 5. Accounting policies and notes



- Recommended format and guidelines in Sri Lanka Accounting Standard 01 to be applied when preparing financial statements

.....**PLC**
Statement of profit or loss and other comprehensive income
For the year ended.....

Rs'000

	Notes	Rs.	Rs.
Sales			Xxx
Cost of sales			(xxx)
Gross profit			xxx
Other income			xxx
Distribution cost			
Administration cost	01	xx	
Other expenses		xx	
Finance cost		xx	
Profit before tax	02		(xxx)
income tax expenses	03		xxx
Profit/loss for the period			(xxx)
Other comprehensive income			xxx
Change in revaluation reserve of property plant and equipment			xxx/(xx)
Total comprehensive income			xx

.....**PLC**
Statement of Changes in Equity
For the year ended.....

Rs'000

Description	Ordinary shares	Revaluation reserve	General reserve	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)	...
Interim dividends paid - Ordinary shares	(xx)	(xx)
Closing balance	xx	xx	xx	xx	xx

PLC

Statement of financial position as at

31.....

Rs'000

	Notes	Rs.	Rs.
Non-current assets			
- Property, plant and equipment	04		xxx
- Right of use of lease property	05		xxx
- Investment (long term)			xxx
			xxx
Current Assets			
- Inventory	06	xxx	
- Trade receivable		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 portion)		xxx	
- Trade payables		xxx	
- Current portion of long-term debts		xxx	
- Short term provisions		xxx	
- Other current liabilities		xxx	
- Short term loans/ bank OD		xxx	
Total equity liabilities			xxx

Accounting policies and notes to the accounts disclosed together with financial statements of limited liability company.

Following to be disclosed using notes

(i)	Other income	Rs
	Profit on disposal of PPE	xx
	Dividend income	xx
	Interest income	xx
	Rent income	xx

	Discount received	xx
	Commission income	xx
		<u>xx</u>
(ii)	Following expenses are considered in calculating profit before tax	
		Rs
	Depreciation	xx
	Loss on disposal of PPE	xx
	Deficit/loss on revaluation	xx
	Loan interest	xx
	Lease interest	xx
	Warranty expense	xx
	Stock written off	xx
	Employee compensation	xx
	Director fee/ allowance/ remittances	xx
	Audit fees EPF expenses	xx
	ETF expenses	xx
	Donations	xx
(iii)	Income tax	xxx
	Income tax on profit for the year	x/(x)
	Under/over provision (last year)	<u>xx</u>
(iv)	Property, plant equipment	

Rs'000

	Land	Buildings	Motor vehicle	Machines	Office equipment	Computers	Total
Opening balance	xxx	xxx	xxx	xxx	xxx	xxx	Xxx
Purchases	...	xxx	xxx	xxx
Revaluations P/L	xxx	xxx	xxx
Disposals	(xx)	(xx)
Dep' adjustment	...	(xxx)	(xxx)
For revaluation							
Closing balance	xxx	xxx	xxx	xxx	xxx	xxx	xxx
Accumulated depreciation							
Opening balance	...	xxx	xxx	xxx	xxx	xxx	xxx
Dep' for the year	...	xxx	xxx	xxx	xxx	xxx	xxx
Disposals	...	(xx)	(xx)	
Dep' adjustment	...	(xxx)	(xxx)
For revaluation							
Closing balance	...	Xxx	Xxx	Xxx	Xxx	Xxx	Xxx
Carrying amount	xxx	xxx	xxx	xxx	xxx	xxx	xxx

(v)	Right of use of lease property	
	Motor van	xxx
	Less accumulated	(xx)
	Depreciation	<u>xxx</u>
(vi)	Trade receivables	
	Allowance for expected	xx
	Losses on trade receivables	(xx)
		<u>xxx</u>
(vii)	Cash and cash equivalents	
	Petty cash balance	xx
	Cash	xx
	Treasury bills (3 months)	xxx
		<u>xxx</u>

Accounting policies applied in preparing & presentation of financial statements to be disclosed 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) Varies agreements assigned by the business

Assignment 01

Trial balance as at 31.03.2017 of Nawaloka PLC given below:

Description	Dr.	Cr.
Property plant and equipment-(cost)		
Land and buildings (land-Rs.17 500)	22 500	
Motor vehicles	3 000	
Machines	8 400	
Computer & equipment	4 200	
Accumulated depreciation for property, plant & equipment as at 1.04.2016		
Buildings		1 000
Computer &equipment		300
Machines		400
10% fixed deposit	8 100	
Cost of sales	20 600	64 500
Income tax payment	400	
Administration expense	6 520	
Distribution expense	8 000	
Finance expense	1 800	
Trade receivables	2 480	
Trade payable		1 800
Allowance for expected losses on trade receivables		200
Stated capital-ordinary shares (2016.04.01)		10 000
Revaluation reserves (2016.04.01)		3 000
General reserve (2016.04.01)		2 000
Retained earnings (2016.04.01)		3 800
Interim dividends	400	
15% bank loan		2 000
Lease creditors		3 000
Stock as at 31.03.2017	3 600	
Cash	2 000	
	92 000	92 000

Following adjustments to be completed before preparation of financial statements of Nawaloka 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 lifetime building is 40 years of salvage value is estimated as Rs. 1,000,000
 - 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 motor vehicle acquired on finance lease at 01.04.2016 with a fair value if 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 year was estimated as Rs.400,000
 - V. Useful life time of computer equipment 5 years.
02. Inventory items cost Rs.200 000 including stock 31.03.2017 were sold for Rs.150 000 on 10.04.2017.
03. Stock cost Rs.1000 000 was sent to Padeniya PLC on 31.03.2017 on sale or t=return basis. There were not sold till 31.03.2017. Invoice value of the there were Rs.1,500 000 period return is not yet over. This stock was not included for closing stock.
04. Mass PLC a debtor with a due of Rs.80 000 declared as bankrupt by the court on 12.04.2017.

05. Fixed deposit was started on 01.04.2016 and, the interest received was including banks statement. No adjustment was done on that.
06. 6-month interest payment for 15% bank loan was included in finance expenses. Interest for remaining 6 month was not yet paid. Rs.400 000 out of the bank loan to be paid within 2017/2018.
07. Nawaloka PLC sold goods under warranty certificates. It was estimated that a provision of Rs.200 000 to be made for sales warranties.
08. Income tax for the year was ¼ 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 for the year ended 31.03.2017
- ii. Statement of changed 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

Assignment 02

Diyatha PLC sells mobile phones and computers. Trial balance prepared as at 31.03.2018 is given below.

description	Dr.	Cr.
Property, plant and equipment-cost	30 000	
Stocks as at 01.04.2017	1 000	
Purchases	23 000	
Trade receivables	12 200	
Distribution cost	1 000	
Administration expenses	3 800	
Other expenses	550	
Interest on bank loan	450	
salary	2 000	
Income tax	1 600	
Value added tax (VAT)	500	
Dividends	800	
Building rent	1 200	
3-month treasury bills (acquired on 31.03.2018)	1 000	
Cash	3 500	
Sales		34 500
20% bank loan		2 000
Allowance for expected losses on trade receivables		500
Provisions for depreciation on PPE as at 01.04.2017		3 300
Stated capital-ordinary shares		23 000
Revaluation reserves 01.04.2017		3 000
Retained earnings 01.4.2017		5 500
Employee provident fund payables (EPF)		200
Con:		
Trade payables		4 500
Lease creditor		5 700
Provision for income tax as at 01.04.2017		
(for the year ended 31.03.2017)		400
	82 600	82 600

Additional information:

Before preparation of the financial statements for the year ending 31.03.2018 adjustment have to be made for the following:

- I. The cost and net realizable value of inventory of goods as at 31.03.2018 were as follows:

	Cost (Rs 000)	Net realizable value (Rs 000)
Computers	5 000	6 000
Mobile phones	3 000	2 500

- II. 15% value added tax included in all purchases and sales values
 III. Business premises of the company is carrying out in a building which was acquired on rent. Annual building rent is agreed at Rs 600 000 from 01.04.2017 onwards and paid rent for two years at once.
 IV. Rs 200 000 was paid to directors as fuel and telephone allowances for the year ended 31.03.2018 and this has been included in administration expenses. Another Rs.300 000 should be paid for fuel to the directors.
 V. The composition of property, plant and other relevant information are given below:

Assert	Cost/fair value as at 01.04.2017(Rs.000)	Accumulated depreciation as at 01.04.2017(Rs.000)	Useful life time
Land	15 000		
Motor vehicle(acquired under finance lease)	12 000	2 400	5
Office equipment	2 000	500	8
Furniture	1 000	400	5
	30 000	3 300	

- VI. Company lands were revalued on 31.03.2018 for Rs.10 000 000 by a professional valuer. A surplus of Rs.3 000 000 was reported when this assert was revalued for the first time on 31.03.2016 and this is represented by revaluation reserves.
 VII. Company motor vehicle was acquired on 01.04.2016 on finance lease. This motor vehicle use for delivery foods and the lease term is 4 years. Annual lease installment of Rs.3 750 000 paid at the end of the year has been debited to the lease creditor's account. Lease interest has not been accounted and lease interest of this year and next two year are as follows:

Year	Lease interest (Rs.000)
2017/2018	900
2018/2019	600
2019/2020	300

- VIII. The company sells odds with a one-year sales warranty from this year onwards. It was reliably estimated that Rs.500 000 should be provided for this as at 31.03.2018.
 IX. Employee provident fund (EPF) contributions of employer and employee are 15% and 105 respectively. Employer contribution of employee trust fund (EPF) is 3% employer contribution to the above two funds for the entire year was not provided yet.
 X. Rs. 600 000 paid for the previous year and payments for the first three quarters of the current year are included in the income tax. The income tax liability of the final quarter of the current year is estimated as Rs. 700 000. This has not yet been adjusted.
 XI. A debtor with a balance of Rs. 200 000 as at 31.03.2018 has been declared bankrupt on 25.04.2018. it is estimated that the allowance for expected losses on trade receivables should be Rs. 100 000. The board of directors of the company authorized the financial statements on 15.05.2018.
 XII. Directors decided on 31.03.2018 to create a general reserve using Rs 2 500 000 from retained earnings and to pay Rs. 2 000 000 worth dividends to ordinary the year ended 31.03.2019.
 XIII. Out of the bank loan balance as at 31.03.2018 RS. 500 000 should be settled during the year ended 31.03.2019.

Required:

The following financial statements of Diyatha PLC for publication purpose.

1. Statement of profit or loss and other comprehensive income for the year ending 31.03.2018
2. Statements of changes in equity for the year ending 3.03.2018.
3. Statement of financial position as at 31.03.2018

Assignment 03

- 01) The following trial balance has been extracted from Liyasha PLC for the year ended 31.03.2020. It is 8% VAT Registered company. Financial statements were authorized. Financial statement was authorized for issue by board of directors on 20.06.2020.

	Dr(Rs.000)	Cr(Rs.000)
Cost of sales / Sales including VAT	50 000	97 200
Distribution cost	7 500	
Administration cost	5 000	
Finance cost	4 200	
Other income		1 500
Trade receivables / Trade payables	25 000	6 100
Inventory as at 31/03/2020	10 000	
Vat paid for purchases and expenses	5 400	
Stated ordinary share capital		30 000
Property, plant and equipment at carrying amount as at 01.04.2019	30 000	
Cash and cash equivalents	9 300	
Reevaluation reserve as at 01.04.2019 (For building)		800
Retained earnings		2 600
10% Bank loan		6 000
Provision for warranty as at 01.04.2019		3 500
Provision for income tax as at 01.04.2019		900
Allowances for expected losses on trade receivables as at 01.04.2019		1 400
Income tax expense	1 500	
Interim dividends	2 100	
	150 000	150 000

Additional information

- a) The composition of the property, plant and equipment's are as follows

	Cost/Revalued amount as at 01.04.2019 (Rs.000)	Accumulated depreciation as at 01.04.2019 (Rs.000)
Land	15 000	-
Building	10 000	5 000
Motor vehicle	12 000	4 000
Furniture and fittings	3 000	1 000
	40 000	10 000

- b) Following prepaid expenses as at 31.03.2020 are included in Administration and Distribution expenses. Accrued expenses as at same date should be adjusted.

	Prepaid expenses (Rs.000)	Accrued Expenses (Rs.000)
Advertising	430	-
Insurance	-	710
Electricity	570	-
Sales commission	-	980

Before preparation of the financial statements for the year ending 31.03.2020 adjustments for the following have to be made

- I. Closing stock as at 31.03.2020 includes a stock cost Rs.3 000 000 which was sold for Rs.3 500 000 by incurring Rs.800 000 of expenses on 20.04.2020 due to immediate expiry date.
- II. Building have been revalued for Rs.3 000 000 on 31.03.2020 and land have been revalued for the first time For Rs.15 500 000 on 01.04.2019 by professional valuer
- III. The company acquired a motor vehicle on 01.04.2019 under a lease for use in the business. Lease period and useful life time of the motor vehicle is 4 years and 5 years respectively. The following information is also available.

Present value of minimum lease payment	Rs.4 000 000
Down payment	Rs.1 000 000
Annual lease installment	Rs.1 000 000
Lease interest of 1 st year	Rs.400 000
2 nd year	Rs.300 000

Down payment and installation paid to lease creditors during the year ending 31.03.2020 has been included in finance cost. No other entries have been made in this respect other than this. Depreciation for the motor vehicle has to be provided on straight line method ownership of the asset may transferred to lessee at the end of the lease period

- IV. The company sells goods with one-year warranty period. The company has paid Rs.1 600 000 during the current year for repair expenses of previous year sales. This amount is included in Distribution cost of the current year. It has been reliably estimated that the company has to make a provision of Rs.2 500 000 a sales warranty for the current year
- V. Building, Furniture and fittings are to be depreciated 10% per annum on cost and motor vehicle are to be depreciated 20% on cost on straight line method
- VI. The policy of the company is to make 10% allowance for expected losses on trade receivables on the year-end balance of trade receivables.
- VII. Net salary payment of Rs.1 800 000 is included in Administration expenses other than recording net salary payment, no any other entry has been posted relevant to salaries. The employer and employee contribution for EPF are 15% and 10% respectively on gross salary. Contribution for EETF is 3%
- VIII. Bank loan interest for first six months of the year had been included in finance cost. Bank loan interest for remaining six months has to be paid and Rs.1 000 000 of the loan installment has to be paid at end of next year.
- IX. Current year income tax has been estimated as Rs.2 500 000. Current year income tax payment includes Rs.1 000 000 paid for final income tax liability of previous year.
- X. Board of Directors has decided to capitalize retained earnings by issuing 10 000 Shares at Rs.100 each. It has decided to transfer Rs.500 000 to general reserve from the retained earnings.

Required:

1. Profit or loss and other comprehensive income statement for the year ending 31.03.2020 of Liyasha PLC.
2. Statement of changes in equity for the year ending 31.03.2020
3. Statement of financial position as at 31.03.2020

Assignment 04

Following trial balance is extracted from "Mihinya PLC" as at 31.03.2021.

Description	Dr (Rs.000)	Cr (Rs.000)
Property, Plant and equipment – (Carrying value)	23 400	
Purchases	18 000	
Inventory as at 01.04.2020	500	
Distribution expense	800	
Administration expense	1 700	
Other expense	400	
Income tax paid	450	

Dividend paid	500	
Cash and bank	4 450	
Trade receivables	900	
Sales		30 000
Bank loan		2 000
Provision For income tax - 01.04.2020		100
Retained earnings – 01.04.2020		1 500
Lease creditors		3 495
VAT Control account – 31.03.2021		1 200
Provision for sales warranty – 01.04.2020		360
Trade payables		745
Other payables – 31.03.2021		800
Ordinary share capital		10 000
	50 200	50 200

Additional information

Following adjustments should be considered in preparing the financial statement for the year ended 31.03.2021. Board of directors approved the financial statement 15.05.2021

1. Bank loan interest is 10% per annum and bank loan installment of Rs.500 000 has been paid and debited fully to the trade creditors account.
2. All Property plant & equipment has been insured on 30.09.2020. Annual installment of property insurance Rs.600 000 has been paid on 01.10.2020 and included in administration expenses. Annual Insurance installment of Rs.100 000 included in above is relevant for motor vehicle insurance.
3. Information related to property plant and equipment as at 01.04.2020

Item	Cost/Value (Rs.000)	Accumulated Depreciation (Rs.000)	Useful life time
Land	18 000	-	-
Motor vehicle (Lease)	5 000	800	10
Office equipment	2 000	800	5
	25 000	1 600	

All property items should be depreciated annually on straight line basis. Motor vehicle was acquired on finance lease for distribution of goods

4. Land was revalued for the 3rd time on 31.03.2021. This land was revalued on 01.04.2019 for the first time and recorded a loss of Rs.800 000. For the second time it was revalued on 31.03.2020 and at that time recorded a revaluation surplus of Rs.500 000. This time land was revalued at Rs.19 000 000.
5. The motor vehicle was acquired under a finance lease agreement on 01.04.2019. The title will be transferred to the company at the end of the lease time period. Annual lease installment is Rs.1 600 000. Initial deposit was Rs.705 000 and it has been paid and recorded properly.

Lease Interest	Rs.000
2019/2020	800
2020/2021	600
2021/2022	420
2022/2023	285

Lease installment of the current year was paid and debited to the other payable account.

6. Accrued audit fees as at 31.03.2021 was Rs.100 000.
7. Sales invoice of Rs. 920 000 raised on 28.03.2021 has not been recorded in books. VAT included in that was 15 % (VAT on other transactions were properly accounted)
8. Provision for warranty as at 01.04.2020 should be considered as expired. On current year sales 2% should be provide for sales warranty.
9. Income tax payment and provision are as follows

Payments for the year 2019/2020	50 000
Payments for First three quarter of the current year	400 000
Provision for last quarter of the current year 2020/2021	80 000

10. Cost of the stocks as at 31.03.2021 was Rs.1 000 000. The same stock was sold on 10.04.2021 for a value of Rs.1 200 000 and paid a sales commission of Rs.300 000.
11. A right share issue was made on 02.05.2020 for Rs.2 000 000 and recorded properly

Required:

The following financial statements (including notes) of MIHINYA PLC for publication as per LKAS 01 (Presentation of financial statements)

1. Statement of profit or loss and other comprehensive income statement for the year ending 31.03.2021
2. Statement of changes in equity for the year ending 31.03.2021
3. Statement of financial position as at 31.03.2021

Assignment 05

01.) The trial balance as at 31.03.2021 of Niroga PLC which imports and deliver health equipment's is given below

Description	Dr.(Rs. Million)	Cr.(Rs. Million)
PPE at carrying amount	41 300	
Purchase cost (including import tax)	94 000	
Trade receivables	9 200	
Inventory as at 01/04/2020	10 400	
Provision for impairment loss of trade receivables as at 01/04/2020		950
Cash & cash equivalents	7 280	
Operational expenses	7 800	
Income tax paid	1 200	
Sales		134 150
Provision for warranty as at 01/04/2020		280
Trade payables		6 400
Lease payments	285	
Ordinary share stated capital		18 000
Reevaluation Reserve on land as at 01/04/2020		200
Retained earnings		11 485
	171 465	171 465

Additional information

Before preparation of the financial statements for the year ending 31.03.2021 adjustments for the following have to be made.

1. As at 31.03.2021 the cost of Health equipment's was Rupees million 12 000. Its Net realizable value at the same date was Rupees million 11 900. However, the entire inventory was sold at Rupees million 11 800 on 31.03.2021, before the authorization of financial statements by directors.
2. Court has been informed that a company is bankrupt with trade receivables balance of Rs. Million 200. Remaining balance of trade receivables should be adjusted by providing 10% of impairment losses.
3. Audit fee paid Rs. Million 40 was included in Administration expenses. Audit fee for year 2020/2021 is Rs. Million 60.
4. The composition of operational expenses is as follows. (Rupees Million)
 - Distribution expenses 4 200
 - Administration expenses 3 600
5. Net salaries were paid to employees Rs. Million 540 was included in Administration expenses. Net salary was calculated after deducting contribution for EPF by Employee at 10% & Employer EPF & ETF Contribution is 15% and 3% respectively. Contribution for EPF & ETF by employer and employee were not paid and it was not recorded in books of accounts.
6. The composition of property, plant & equipment and their accumulated depreciation as at 31.03.2020 is as follows.

Description	Cost (Rs. Million)	Depreciation rate	Accumulated depreciation (Rs. Million)	Carrying amount (Rs. Million)
Land	28 000	-	-	28 000
Building	16 000	5%	5400	10 600
Equipment	3 000	10%	300	2 700
Total	47 000		5 700	41 300

7. The land was revalued at Rs. Million 27 500 at second time and building was revalue at Rs. Million 12 000 at first time on 31.03.2021
8. Rs.4 000 000 valued ordinary shares issued and total amount was received by the company this issue was recorded correctly.
9. The company decided to provide Rs. Million 350 for warranty for the defects on sales during the current year
10. On 1 March 2021, the company has entered an agreement with Health Ministry to provide automotive disinfection sanitizing machines to government hospitals to prevent COVIS-19 pandemic. Further company agreed to provide services for the period of two years and upon the agreement all the machines have been delivered and started rendering services on the same date.
To provide service and machines from 01 march 2021, as agreed Rs. Million 50 per month for the period of two Years, as total turnover of the transaction Rs. Million 1 200, have been recorded in sales.
11. New vehicle fleet were acquired on 01.04.2020 under a lease agreement. You are given the following information. 01.04.2020 initial payment Rs. Million 180, Lease installment per annum Rs. Million 100 from 31.03.2021
- On 01.04.2020 lessee's initial direct cost Rs. Million 5.
 - Interest rate 10% and annual discount rate.

Year	1	2	3	4
Discounting factor	0.90	0.82	0.75	0.68

Lease period of this assets is 4 years and its useful life is 5 years. The ownership of the asset is not passed to the lessee at the end of the lease period Down payment paid, initial direct cost and first lease installment are recorded in lease asset account. No entry pertained to the purchase.

12. It has been estimated that the income tax for last quarter of the current year is estimated Rs. Million 400. Income tax paid during the year included Rs. Million 200 for 2019/2020 year and first three quarters of current year.

Required

- I. Statement of profit or loss and other comprehensive income for the year ending 31.03.2021.
- II. Statement of changes in Equity for the year ending 31.03.2021
- III. Statement of financial position as at 31.03.2021

Past paper questions

2012 A/I

01. The trial balance of pearl PLC as at 31.03.2012 is given below

	Dr. (Rs.000)	Cr.(Rs.000)
Land (at cost)	2,200	
Furniture and fittings (at cost)	4,000	
Accumulated depreciation - Furniture and fittings as at 01.04.2011		400
Trade receivables	400	
Provision for impairment loss as at 01.04.2011		50
Inventory as at 01.04.2011	500	
Cash & cash equivalents	150	
Sales		4,800
Purchases	1,500	
Expenses	1,000	
Trade payables		300
Stated ordinary share capital (400 000 shares)		3,000
Retained earnings		1,200
	9,750	9,750

Additional information:

- a. The expenses in the trial balance consists of the following items

Expense category	Rs. 000
Distribution	450
Administration	500
Finance	50
Total	1000

- b. The change in stated ordinary share capital during the year ending 31.03.2012 is as follows:

	Rs.000
Balance as at 01.04.2011	2000
Value of 100 000 shares issued during the year	<u>1000</u>
Balance as at 31.03.2012	<u>3000</u>

- c. The following adjustments have to be made before preparation of financial statements for the year ending 31.03.2012

- I. Land has been revalued at Rs2,500,000 on 31.03.2012 by a professional valuer.
 - II. Furniture and fittings are to be depreciated at 10% per annum on cost on straight-line method.
 - III. The policy of the company is to make a 10% provision for impairment loss on the year-end balance of trade receivables.
 - IV. Cost of inventory was Rs.450,000 as at 31.03.2012. on this date, the net realizable value of inventory was estimated as Rs.500,000
 - V. The company sells goods with a six-month warranty period. It has been reliably estimated that the company has to make a provision Rs.60,000 on this warranty.
 - VI. The company acquired a motor vehicle on 01.04.2011 under a finance lease for use in the distribution of goods. On this date, the fair value of the motor vehicle was Rs.2,500,000 and it was equal to present value of minimum lease payments. The following information is also available.
- Lease period - 5 years
 - Useful Life of the motor vehicle - 5 years
 - Annual lease installment (payable at the year-end) – Rs.600 000(of which Rs.100,000 is interest)

Installment paid to lease creditors during the year ending 31.03.2012 has been debited to trade payable account.

No other entries have been made in this respect. It is the policy of the company to depreciate motor vehicle at 20% on cost per annum on straight-line method.

- VII. The company insured all its non-current assets on 01.10.2011 and the company has paid an insurance premium of Rs.120,000 for a one-year period ending 30.09.2012. The premium paid is included in the administration expenses.
- VIII. It has been estimated that the income tax for the year ending 31.03.2012 is 1/3 of the Profit before tax.
- IX. The board of directors has proposed a final dividend of Rs.150,000 for the year.
- X. It has been decided to create a general reserve at the year-end by transferring Rs.1,000,000 from the retained earnings.

Required:

- Profit or loss & other comprehensive statement for the year ending 31.03.2012
- Statement of changes in Equity for the year ending 31.03.2012
- Statement of financial position as at 31.03.2012

2013 A/I

The trial balance of Pubudu Plc as at 31.03.2013 is given below.

	Dr (Rs.000)	Cr (Rs.000)
Property, Plants and equipment as at 31.03.2013 (Carrying amount)	5 400	
Inventory as at 01.04.2012	400	
Trade debtors	400	
Cash and cash equivalents	250	
Purchases	1 500	
Staff salaries	400	
Office rent	360	
Depreciation on Property, Plants and equipment for the current year	700	
Telephone charges	40	
Interim dividends	180	
Sales commission	50	
Lease installment	930	
Tax (Paid for the first three quarters of the current year)	50	
Stated ordinary share capital		2 000
Retained earnings as at 01.04.2012		1 380
Lease creditors		2 400
Trade creditors		350
Sales		4 500
Provision for doubtful debts as at 01.04.2012		30
	10 660	10 660

Additional information:

- (a) The composition of property, Plants and equipment as at 31.03.2013 is as follows.

Assets	Cost (Rs.000)	Accumulated Depreciation (Rs.000)	Carrying amount (Rs.000)
Building	2 000	1 200	800
Motor vehicle (acquired on 01.04.2012 under finance lease)	2 400	-	2 400
Furniture and fittings	1 000	400	600
Office equipment (acquired on 01.04.2012)	2 000	400	1 600
	7 400	2 000	5 400

- (b) The depreciation on property, plant and equipment for the year ending 31.03.2013 consists of the following items. All assets are used for administration purposes.

Assets	Depreciation (Rs.000)
Building	200
Furniture and fittings	100
Office equipment	400
	700

Depreciation has not yet been provided for the motor vehicle acquired under the finance lease.

- (c) The following adjustments have to be made before the preparation of financial statements for the year ending 31.03.2013.
- The building was sold on 31.03.2013 for Rs.1 000 000 on cash. This amount has been debited to the bank account and credited to the sales account. The cost and accumulated depreciation of the building has not been removed from the accounts.
 - The lease term of the motor vehicle is 4 years and its expected useful life is 5 years. The ownership of the motor vehicle is passed to the company at the end of the lease term. The annual lease installment is Rs.930 000. The installment paid during the year has been debited to a lease installment account.
- The lease interest for the four-year period is as follows.

Year	Interest (Rs.000)
2012/13	480
2013/14	390
2014/15	290
2015/16	160

- The cost of inventory as at 31.03.2013 was Rs.800 000. On this date, net realizable value of inventory has been estimated as Rs.780 000.
- The policy of the company is to make a 10% provision for doubtful debts on the year-end balance of trade debtors.
- A building has been rented out for use as office premises on 01.04.2012 by paying two years rent at once. The total amount paid has bee debited to office rent account.
- Telephone charges of Rs.10 000 for the month of March 2013 is to be paid.
- The company sells goods with a one-year warranty period. It has been reliably estimated that 2% of sales value should be made as a provision for warranty.
- 20 000 ordinary shares have been issued at Rs.50 per share to the existing share holders by capitalizing retained earnings.
- It has been estimated that the income tax for the year ending 31.03.2013 is 1/4th of the profit before tax.

Required:

- Profit or loss & other comprehensive statement for the year ending 31.03.2013
- Statement of changes in Equity for the year ending 31.03.2013
- Statement of financial position as at 31.03.2013

2014 A/I

The trial balance as at 31.03.2014 of Aloka PLC, which trades in confectionery items is given below.

	Dr (Rs.000)	Cr (Rs.000)
Inventory as at 01.04.2013	1 500	
Trade receivables (Trade debtors)	4 000	
Cash at bank	838	
Three-month treasury bills (Invested on 31.03.2014)	800	
Fixed deposit (10% interest per annum, opened on 01.10.2013 for two years)	1 600	
Lease interest	960	
Purchases	7 500	
Salaries	1 200	
Employee Provident Fund (EPF) Expense	135	
Employee Trust Fund (ETF) Expense	27	
Insurance	840	
Motor vehicle fuel expense	50	
Tax paid for the first two quarters of current year	290	
Property, Plants and equipment at cost	12 000	
Provision for doubtful debts as at 01.04.2013		320
Sales		12 500
EPF payable		30
Stated ordinary share capital		9 000
Retained earnings as at 01.04.2013		1 040

General reserve as at 01.04.2013		1 250
Trade payable (Trade creditors)		2 500
Accumulated depreciation on Property, Plants and equipment as at 01.04.2013		2 060
Lease creditors		3 040
	31 740	31 740

Additional information:

Before preparation of the financial statements for the year ending 31.03.2014 adjustments for the following have to be made.

- I. The cost of inventory as at 31.03.2014 was Rs.2 000 000. On this date, the net realizable value of inventory was estimated as Rs.1 800 000.
- II. At the end of the year, it was decided to write off Rs.400 000 as bad debts and provide 10% for doubtful debts on the remaining balance of trade receivables. The company maintains separate accounts for bad debts and provision for doubtful debts.
- III. All assets were insured as one package on 01.10.2013. The total premium due for the year ending 30.09.2014 has been paid and accounted for as an expense. The company policy is to treat insurance as an administration expense.
- IV. The employer and the employee contribution to the EPF are 15% and 10% respectively and the employer contributes 3% to ETF. The company has not made a provision for EPF and ETF for the last 3 months of the current year. However, the EPF contribution of the employees for the last 3 months has been deducted and credited to the EPF Payable Account.
- V. The interest on the fixed deposit relevant for the current year has not yet been recorded.

VI. The composition of property, Plant and equipment and other related information is as follows:

Assets	Cost as at 31.03.2014 (Rs.000)	Accumulated Depreciation as at 01.04.2013 (Rs.000)	Useful life (years)
Building	6 000	1 500	20
Motor vehicle (acquired on 01.04.2013 under a finance lease)	4 000	-	?
Office equipment	1 200	240	5
Furniture and fittings	800	320	5
	12 000	2 060	

The motor vehicle is used for distribution of goods and all other assets are used for administration purposes.

Depreciation has to be provided for the current year.

- VII. The building and office equipment were revalued for the first time on 31.03.2014 at their fair value of Rs.4 800 000 and Rs.600 000 respectively.
- VIII. The motor vehicle was acquired on 01.04.2013 under a finance lease for a period of 4 years. The useful life of this asset is 6 years. The ownership of the asset is not passed to the lessee at the end of the annual lease instalment of Rs.960 000 is to be paid at the end of every year starting from 31.03.2014.

The lease interest for the 4-year period is as follows:

Year	Interest (Rs.000)
2013/14	304
2014/15	238
2015/16	166
2016/17	92

The initial lease liability and the down payment have been accounted for correctly. Further, the instalment for the current year has been paid and recorded as lease interest for the year.

- IX. It has been estimated that the income tax for the current year is 1/3 of the profit before tax.
- X. The company has decided to transfer Rs.1 000 000 from retained earnings to the general reserve on 31.03.2014 and on this day, Directors have proposed a dividend of Rs.300 000 to the ordinary shareholders of the company.

Required:

- a. Profit or loss & other comprehensive statement for the year ending 31.03.2014
- b. Statement of changes in Equity for the year ending 31.03.2014
- c. Statement of financial position as at 31.03.2014

2015 A/I

The trial balance as at 31.03.2015 of Saranga PLC is given below.

	Dr (Rs.000)	Cr (Rs.000)
Purchases	7 500	
Rent	960	
Salaries	1 000	
Motor vehicle maintenance expenses	321	
Lease interest	720	
Income tax paid for the first three quarters of the current year	90	
Property, Plants and equipment as at 01.04.2014	10 000	
Inventory as at 01.04.2014	2 400	
Trade receivables	3 000	
Cash at bank	241	
Three-month treasury bills (Invested on 31.03.2015)	1 000	
Sales		12 300
Stated ordinary share capital as at 01.04.2014		5 000
Retained earnings as at 01.04.2014		1 794
Revaluation reserve on land as at 01.04.2014		1 000
Lease creditors		1 788
Trade payables		4 000
Employee Provident Fund (EPF) payable (only 10% employees' contribution)		100
Accumulated depreciation as at 01.04.2014		1 000
Provision for doubtful debts as at 01.04.2014		250
	27 232	27 232

Additional information:

Before preparation of the financial statements for the year ending 31.03.2015 adjustments for the following have to be made.

- I. The office of the company was shifted to a new premises on 01.04.2014. Two years rent was paid on this date and the entire amount was recorded as rent of the current year.
- II. The composition of property, plant and equipment and their accumulated depreciation as at 01.04.2014

Description	Cost/Value (Rs.000)	Accumulated depreciation (Rs.000)
Land at fair value	6 000	-
Motor vehicle (Leasehold basis)	3 000	600
Office equipment	1 000	400
Total	10 000	1 000

- All depreciable property, plants and equipment are depreciated on straight-line method at 20% per annum. Depreciation has to be provided for the current year.
- III. The land was revalued on 31.03.2015 at Rs.4 500 000 by a professional valuer.
- IV. The motor vehicle was acquired on 01.04.2013 under a finance lease for a 4-year period for delivery of goods. The annual lease installment payable is Rs.720 000. The current year's lease installment has been paid and debited to the lease interest account. The lease interest applicable for the current year and the next two years is as follows.

Year	Interest (Rs.000)
2014/15	179
2015/16	125
2016/17	68

- V. As at 31.03.2015, the cost and the net realizable value of the inventory were Rs.1 800 000 and Rs.2 000 000 respectively. However, the entire inventory was sold on 20.04.2015 at Rs.1 600 000. The directors authorized the financial statements of the company on 15.05.2015.
- VI. A 10% provision is made for doubtful debts on the year end balance of trade receivables.
- VII. The following expenses have been debited to the sales account.

Item	Amount (Rs.000)
Sales commission for agents	1 400

Discount allowed for trade receivables	300
Total	1 700

- VIII. 50 000 ordinary shares have been issued at Rs.10 per share to the existing shareholders by capitalizing the retained earnings.
- IX. The company sells goods with a six-month warranty period. It has been reliably estimated that 2% of the sales value should be provided for this warranty.
- X. The company's contribution for EPF and ETF has not yet been provided for the entire year. The company contributes for EPF and ETF at 15% and 3% respectively on the gross salary of employees.
- XI. It has been estimated that the income tax for the current year is 1/3 of the profit before tax.

Required:

- Profit or loss & other comprehensive statement for the year ending 31.03.2015
- Statement of changes in Equity for the year ending 31.03.2015
- Statement of financial position as at 31.03.2015

2016 A/I

The trial balance of Sumeda PLC, a stationery trading company, as at 31.03.2016 is given below. It is a company registered for Value Added tax (VAT)

Description	Dr (Rs.000)	Cr (Rs.000)
Salaries	1 000	
Rent	540	
Electricity	120	
Telephone	75	
Purchases	6 000	
VAT Payments	600	
Property, plants and equipment as at 01.04.2015	10 000	
Inventory as at 01.04.2015	1 200	
Trade receivables	7 000	
Cash at bank	730	
Income tax paid for the current year	535	
Sales		12 000
VAT Collection		1 320
Stated ordinary share capital		4 000
Retained earnings as at 01.04.2015		2 327
Revaluation reserve – Office equipment		600
Lease creditors		2 353
General reserves		1 200
Accumulated depreciation as at 01.04.2015 -Property, plants and equipment		4 000
	27 800	27 800

Additional information:

Before preparation of the financial statements for the year ending 31.03.2016 adjustments for the following have to be made.

- A commission of 2% paid on sales to trade agents has been included in salaries
- The electricity bill of Rs.15 000 for March 2016 has not yet been paid.
- Rs.18 000 has been paid in advance for telephone charges for March 2016. However, the bill for the month of march was Rs.8 000.
- The company values inventory on item-by-item basis. The inventory as at 31.03.2016 consists of three categories of stationery items. On this date, their cost and net realizable value (NRV) were as follows.

Category	Cost (Rs.000)	NRV (Rs.000)
A	520	600
B	300	250
C	280	300

- A debtor with a balance of Rs.750 000 as at 31.03.2016 has been declared bankrupt on 30.04.2016. The directors of the company authorized the financial statements on 15.05.2016.
- The composition of property, plant and equipment and their accumulated depreciation as at 01.04.2015 were as follows:

Description	Cost/Value (Rs.000)	Accumulated Depreciation (Rs.000)	Carrying Amount (Rs.000)
Motor vehicles (Leasehold basis) - at Cost	6 000	2 400	3 600
Office equipment – at fair value	2 500	1 000	1 500
Furniture and fittings – at cost	1 500	600	900
Total	10 000	4 000	6 000

All assets (Including assets on lease) have been acquired on 01.04.2013 and on this date, their useful life was estimated as 5 years. They are depreciated on straight line method.

- VII. On 01.04.2015, the remaining useful life of furniture and fittings was revised as 6 years. Further, the office equipment was revalued at market value of Rs.1 800 000 on 31.03.2016.
- VIII. Motor vehicles are used for the delivery of goods and their lease term is 5 years. The annual lease installment is Rs.1 583 000. The current year lease installment has been paid and debited fully to the lease creditor's account. No other entry has been made in these respects. The lease interest is as follows:

Year	Interest (Rs.000)
2013/14	600
2014/15	502
2015/16	394
2016/17	275
2017/18	144

- IX. On 31.03.2016, the company has issued 40 000 ordinary shares at Rs.20 per share to the existing shareholders by capitalizing general reserves. However, no entry has been made in this respect.
- X. The income tax for the current year is estimated as Rs.500 000.

Required:

- Profit or loss & other comprehensive statement for the year ending 31.03.2016
- Statement of changes in Equity for the year ending 31.03.2016
- Statement of financial position as at 31.03.2016

2017 A/I

Dilara PLC is a manufacturing and trading company. In addition to its own products, it also sells goods purchased from other companies. The summarized trial balance as at 31.03.2017 of the company is given below:

Description	Dr	Cr
Property, plant and equipment –carrying amount	27 500	
Cost of goods produced	12 000	
Purchase of goods	6 000	
Raw materials inventory as at 31.03.2017	2 000	
Goods inventory as at 01.04.2016	3 000	
Distribution cost	8 000	
Administration expenses	8 400	
Value added tax (VAT) paid on purchase and expenses	2 300	
Interest paid on bank loan	200	
Income tax paid	1 900	
Dividend paid	1 700	
Bank and cash	6 000	
Sales		43 000
VAT collected on sales		2 800
Bank loan		12 000
Provision for income tax as at 01.04.2016 (for the year ending 31.03.2016)		800
Stated capital-ordinary shares		15 000
Retained earnings as at 01.04.2016		5 400
	79 000	79 000

Additional information

Before preparation of the financial statements for the year ending 31.03.2017. Adjustments have to be made for the following:

- I. The cost and net realizable value of inventory of goods as at 31.03.2017 were as follows:

	Cost (Rs.)	Net realizable value (Rs.)
○ manufactured goods	1 000 000	1 200 000
○ purchased goods	1 300 000	1 000 000

In valuing inventory, the manufactured goods purchased goods are considered separately.

- II. The audit fees for the year ending 31.03.2017 was Rs. 600 000 of which Rs. 400 000 has been paid during the year. Only the amount paid has been recognized as an administration expenses.
- III. During the current year, Rs 2 200 000 has been paid as director's remuneration and recognized as an administration expense. However, the director's remuneration relevant for the current year was Rs 1 800 000.
- IV. Income tax paid includes Rs. 900 000 paid for the previous year and the payments made for the first three quarters of the current year. Income tax liability of the last quarter of the current year was estimated as Rs. 500 000. This amount has not yet been adjusted.
- V. The composition of the property, plant and equipment and their accumulated depreciation as at 31.03.2017 as follows:

Description	Cost/value (Rs 000)	Accumulated depreciation (Rs.000)	Carrying amount (Rs.000)
Land (as at 01.04.2016)	10 000	-	10 000
Plant machinery	21 000	9 700	11 300
Motor vehicles (distribution vans)	4 000	2 00	2 000
Furniture and fittings	7 000	2 800	4 200
total	42 000	14 500	27 500

The land is measured at revalued amount and all other assets are measured at cost.

The land was revalued on 31.03.2017 for Rs 12 000 000 for the second time and it is yet be recorded. A deficit Rs 1 200 000 was reported when this asset was revalued for the first time in the previous year.

- VI. Property, plant and equipment (except land) are depreciated at 10% per annum on straight line basis. Depreciation has been provided for the current year. However, the revision of the remaining useful life of distribution vans as 8 years on 01.04.2016 has not been considered in providing depreciation for the current year (assume there is no residual value for distribution vans)
- VII. A lorry was acquired on 01.04.2016 on finance lease basis for 5 years. Its fair value was Rs 5 000 000. The ownership of this asset will be transferred to the company at the end of the lease term. The lease interest relevant for the first year and the second year are Rs 500 000 and Rs. 418 000 respectively and the total lease interest for the remaining here years amount to Rs 682 000. Annual lease installment is Rs 1 320 000. It has been paid at the year end and recorded as a distribution cost. No other entry has been made in relation to this transaction.
- VIII. Ordinary shares of Rs 5 000 000 were issued during the year and the amount was received in full. This amount has been recorded in the sales account.
- IX. The bank loan obtained on 01.01.2017 at an annual interest of 10%. The settlement of the loan will commence after two years. However, interest for this should be paid from the beginning. Only 2 months interest had been paid.

Required:

The following financial statements of Dilara PLC for publication as per LKAS 1

1. Statement of profit or loss and other comprehensive income for the year ending 31.03.2017
2. Statement of financial position as at 31.03.2017
3. Statement of changes in equity for the year ending 31.03.2017

2018 A/I

Hiruka PLC is engaged in a retail business. Its balance sheet as at 31.03.2018 is given below

Description	Dr. (Rs.000)	Cr. (Rs.000)
Property, plant and equipment - carrying amount	65 500	
Purchases	41 850	
Trade receivables	22 600	
Inventory as at 01.04.2017	9 750	
Cash and cash equipment	1 250	
Administration expenses	7 100	
Distribution cost	9 850	
Income tax paid	1 100	
Sales		83 000
Trade payables		12 500
Provision for warranty as at 01.04.2017		670
Stated capital-ordinary shares		35 000
Revaluation reserve on land as at 01.04.2017		5 000
Retained earnings as at 01.04.2017		6 880
Accrued administrative expenses		250
Bank loan		12 000
Provision for income tax as at 01.04.2017		450
Commission income		3 250
	159 000	159 000

Additional information

The following adjustments are made in preparing the financial statements for the year ending 31.03.2018.

- I. The inventory consists of three categories and their cost and net realizable value (NRV) as at 31.03.2018 were as follows;

category	Cost (Rs.000)	NRV(Rs.000)
Milk	4 200	4 400
Rice	2 500	2 100
Sugar	3 800	3 900
total	10 500	10 400

- II. The administrative expense for the current year consists of the following items

Item	Rs.000
Salaries paid	2 700
Employee trust fund	90
Director's fees	1 500
Audit fees	610
Depreciation expenses	2 200
total	7 100

- III. The salaries included in the administrative expenses represent the net salary paid to employees. Net salary has been calculated after deducting employee's contribution to EPF. The employer and the employee contribution to EPF are 15% and 10% respectively. However, both employer and employee contribution to EPF for the current year have not been paid to the central bank of Sri Lanka and also recorded in the books of accounts.

- IV. The composition of property, plant and equipment and their accumulated depreciation as at 31.03.2018 are as follows;

Description	Annual depreciation rate on cost	Cost/revalued amount (Rs.000)	Accumulated depreciation (Rs.000)	Carrying amount (Rs.000)
land	-	25 500	-	25 500
Buildings	5%	28 000	8 000	20 000

Motor vehicles	20%	16 500	4 500	12 000
Office equipment	10%	10 000	2 000	8 000
Total		80 000	14 500	65 500

- V. While motor vehicle is used for distribution of goods, all other property, plant and equipment items are used for administration purposes. All depreciate assets are depreciated using the straight-line method. Depreciation for the current year has been provided.
- VI. The land of the business was revalued for the first time on 31.03.2015 for Rs. 25 500 000. The land was revalued on 31.03.2018 for Rs 19 500 000 for the second time and it has not yet been accounted for
- VII. The construction of a new building costing Rs 4 000 000 was completed on 31.03.2018 and the adjustments related to the new building have been properly accounted for the books.
- VIII. A motor vehicle costing Rs. 2 500 000 was disposed for Rs 1 500 000 on 31.03.2018. This motor vehicle was purchased on 01.10.2016. This disposal has been recorded under distribution cost.
- IX. There were no other additions or disposals of property, plant and equipment during the year.
- X. The company sells product with a one-year warranty period. The company has paid Rs 450 000 as warranty expenses during the current year for sales made in the previous year. This is included under distribution cost of current year. The provision for warranty as at 31.03.2018 has been estimated as Rs 750 000.
- XI. The bank loan obtained on 31.03.2018 is payable in 5 annual installments of Rs 3 580 000 each commencing from 31.03.2019. The interest rate for the loan is 15% per annum.
- XII. Income tax paid includes Rs 350 000 paid for the previous year and payments for the first three quarters of the current year. The income tax liability for the last quarter of current year was estimated as Rs 400 000 and it has been adjusted for in the financial statements.

Required:

1. Statement of profit or loss and other comprehensive income for the year ending 31.03.2018
2. Statement of financial position as at 31.03.2018
3. Statement of changes in equity for the year ending 31.03.2018

2019 A/I

The summarized trial balance of Sanuga PLC as at 31.03.2019 is given below.

Description	Dr. (Rs.000)	Cr. (Rs.000)
Property, plant and equipment	90 000	
Accumulated depreciation on property, plants & equipment as at 01.04.2018		15 000
Sales		88 000
Cost of sales	45 000	
Inventory	4 200	
Trade receivables	17 300	
Trade payables		19 000
Lease payments	3 750	
Cash and cash equivalents	750	
Provision for warranty as at 01.04.2018		580
Stated capital ordinary shares		45 500
Retained earnings as at 01.04.2018		6 395
Administrative expenses	4 500	
Distribution cost	5 200	
Finance expense	750	
Other expense	1 800	
Income tax paid	1 950	
Provision for income tax as at 01.04.2018		725
	175 200	175 200

Additional information

Before preparation of the financial statements for the year ending 31.03.2019, Adjustments have to be made for the followings.

- I. The director's fee of Rs.900 000 is included in the administrative expenses. The audit fees for the year ending 31.03.2019 were Rs.250 000 and it had neither been paid nor accounted for at the year end.
 - II. The verdict of a case filed by a customer against the company was declared on 10.05.2019 and accordingly, a claim of Rs.600 000 was paid to the customer on this date. This case had been filed on 01.01.2019. However, the company had not recognized any provision on this claim as at 31.03.2019. The financial statements of the company were authorized for issue by the board of directors on 30.05.2019.
 - III. The company sells products with one – year warranty period and the warranty expenses paid during the current year for sales done during last year was Rs.470 000. This is included in the distribution costs of the current year. The provision for warranty as at 31.03.2019 was estimated as Rs.650 000.
 - IV. The company entered into a lease agreement on 01.04.2018 and obtained the right of use of a motor vehicle for a period of 5 years. As at 01.04.2018, the cost of right to use the motor vehicle and its useful life were estimated as Rs.5 960 000 and 5 years respectively. According to the lease agreement, Rs.2 500 000 was paid as the down payment on 01.04.2018 and the first annual installment of Rs.1 250 000 was paid on 31.03.2019. The initial measurement of the lease liability was Rs.3 460 000. The lease interest for the years ending 31.03.2019 and 31.03.2020 are Rs.346 000 and Rs.256 000 respectively. Only the down payment and first lease installment paid by the company have been recorded in the lease payments accounts. No other entry has been made in this respect.
 - V. The composition of property, plant and equipment and their accumulated depreciation are as follows:
- | Description | Cost/Value as at 31.03.2019
(Rs.000) | Accumulated Depreciation
as at 01.04.2018 (Rs.000) |
|------------------|---|---|
| Land | 30 000 | - |
| Buildings | 45 000 | 11 000 |
| Office equipment | 15 000 | 4 000 |
| | 90 000 | 15 000 |
- VI. The Depreciation for the current year has not yet been provided. The motor vehicle obtained on lease basis is used for distribution activities, and building and office equipment are used for administrative activities. Office equipment is depreciated on straight line method at 25% per annum on cost. Assume that the residual value of the motor vehicle is zero.
 - VII. Property, plant and equipment acquired during the current year are as follows.
 - On 01.07.2018: a land at a cost of Rs.10 000 000
 - On 01.10.2018: office equipment at a cost of Rs.5 000 000
 These items have been correctly accounted for.
 - VIII. The building was revalued for the second time on 01.04.2018 for Rs.38 000 000. The first-time revaluation of building on 31.03.2014 had resulted in a deficit of Rs.1 500 000. The remaining useful life of the building after the second time revaluation has been estimated as 8 years. Assume that the residual value of the building is zero. No accounting entries have been made with respect to the second time revaluation.
 - IX. Income tax paid during the year includes Rs.600 000 paid with respect to previous year. Total income tax liability for the year ending 31.03.2019 has been estimated as Rs.1 920 000.
 - X. The interim dividends paid amounting to Rs.1 500 000 has been included in the distribution costs. Directors have proposed a final dividend of Rs.1 000 000 on 30.05.2019.

Required:

1. Statement of profit or loss and other comprehensive income for the year ending 31.03.2019
2. Statement of financial position as at 31.03.2019
3. Statement of changes in equity for the year ending 31.03.2019

2020 A/I

The summarized trial balance of Vinuga PLC as at 31.03.2020 is given below.

Description	Dr.(Rs.'000)	Cr.(Rs.'000)
Property, plant and equipment-Carrying amount.....	49 500	
Right-of-use asset.....	12 600	
Sales.....		79 500
Cost of sales.....	51 300	
Trade receivables.....	5 400	
Trade payables.....		15 500
Inventory as at 31.03.2020.....	6 488	
Cash and cash equivalents.....	1 250	
Provision for claims.....		800
Stated capital-ordinary shares.....		25 000
Land revaluation reserve as at 01.04.2019.....		3 500
Retained canings as at 01.04.2019.....		5 650
Administrative expenses payable.....		300
Administrative expenses.....	6 462	
Distribution cost.....	5 600	
Finance cost.....	1 900	
Other expenses.....	1 500	
Lease liability.....		12 600
Income tax paid.....	1 250	
Provision for income tax as at 01.04.2019.....		400
	<u>143 250</u>	<u>143 250</u>

Additional Information:

Before preparation of the financial statements for the year ending 31.03.2020, adjustments have to be made for the following.

- i) The policy of the company is to measure cost of inventory using first-in-first-out (FIFO) method. However, the cost of inventory as at 31.03.2020 has been measured at weighted average cost method due to a mistake and that value has been accounted for. The cost of inventory as at 31.03.2020 measured at FIFO method was Rs. 6 750 000.
- ii) The administrative expenses for the year consisted of the following items.

Item	Rs.'000
Directors' remuneration	1 250
Staff salaries	2 150
Depreciation expenses	2 225
Audit fees	275
Other administrative expenses	<u>562</u>
Total	<u>6462</u>

- iii) The advertising fee of Rs. 350 000 of the company has been paid by a director from his personal bank account. This amount has been reimbursed by the company and accounted in the director's remuneration by a mistake.
- iv) The company has entered into a contract with a customer on 03.03.2020 to sell goods and provide maintenance services during the first 6 months after sales. The total consideration of the contract was Rs. 1 500 000 and of which, Rs. 1 000 000 relates to the sale of goods and the balance for the provision of maintenance services. The company sold all goods agreed in the contract on 31.03.2020 and the total consideration of the contract was received in cash. This total amount has been accounted in the sales.
- v) The following information relates to property, plant and equipment. (All figures are given in Rs.'000)

Description	Cost/Value as at 01.04.2019	Purchases during the current year	Depreciation for the current year	Accumulated depreciation as at 31.03.2020	Carrying amount as at 31.03.2020
Land	22 500	-	-	-	22 500
Building	9 500	5 000	725	4 500	10 000
Motor vehicle	9 500	6 000	1 550	3 500	12 000
Office equipment	7 500	-	1 500	2 500	5 000
Total	49 000	11 000	3 775	10 500	49 500

The land of the business was revalued for the first time on 31.03.2016. The surplus resulted from this revaluation is represented by the land revaluation reserve. The land was revalued for the second time on 31.03.2020 for Rs. 18 000 000. However, it is not yet accounted for.

The buildings and motor vehicle have been purchased during the year on 01.10.2019 and 01.01.2020 respectively. However, the current year depreciation has been calculated erroneously based on the year-end costs of assets without considering the dates of purchase.

Property, plant and equipment are depreciated annually on straight-line method as follows.

Buildings	5%
Motor vehicles	10%
Office equipment	20%

The motor vehicles are used in the distribution of goods other assets are used for administrative activities.

- vi) The verdict of a case filed by a customer against the company was declared on 15.05.2020 and accordingly, Rs. 550 000 was paid on this date as the full settlement of the claim. This case was filed on 01.12.2019 and the provision recognized in this regard as at 31.03.2020 based on company lawyers' opinion is shown in the trial balance. The financial statements of the company were authorized for issue by the board of directors on 15.06.2020.
- vii) The company entered into a lease agreement on 01.03.2020 to obtain the right-of-use of a building for a period of 4 years. However, this building was available for use from 31.03.2020 after spending Rs. 500 000 for renovation. This renovation is expected to generate benefits to the company over the entire lease period. However, this amount has been accounted in the other administrative expenses. Lease interest is not charged during the renovation period. According to the agreement, an annual lease rental of Rs. 4 413 000 is payable from 31.03.2021. The lease interest applicable for the year ending 31.03.2021 is Rs. 1 890 000.

- viii) Income tax paid during the year includes Rs. 520 000 paid with respect to the previous year. Total income tax liability for the year ending 31.03.2020 has been estimated as Rs. 650 000.

Required:

The Company financial statements (including notes) of Vinuga PLC publication as per LKAS 1 (Presentation of Financial Statements)

- 1). Statement of Profit or Loss and Other Comprehensive Income for the year ending 31.03.2020
- 2). Statement of Changes in Equity for the year ending 31.03.2020
- 3). Statement of Financial Position as at 31.03.2020

2021 A/I

The summarized trial balance of Eranga PLC as at 31.03.2021 is given below.

Description	Dr. (Rs.000)	Cr. (Rs.000)
Property, plant and equipment:		
• Land – at cost	10 000	
• Building – at cost	18 000	
• Office equipment – at Cost	7 500	
• Motor vehicle – balance	20 000	
Accumulated Depreciation as at 31.03.2021:		
• Building		3 000
• Office equipment		1 500
• Motor vehicles		6 500
Inventory	4 250	
Trade receivables	7 400	
Trade payables		4 250
Right of use assets	2 500	
Cash and cash equivalents	500	
Stated capital – ordinary shares		38 000
Retained earnings as at 01.04.2020		12 500
Sales		60 000
Cost of sales	38 500	
Administrative expenses	6 800	
Distribution cost	7 200	
Finance cost	1 200	
Other expenses	600	
Income tax paid	1 900	
Provision for income tax as at 01.04.2020		600
	126 350	126 350

Additional Information

Before preparation of the financial statements for the year ending 31.03.2021, Adjustments have to be made for the followings.

- I. Office equipment costing Rs.1 200 000 was purchased on 30.06.2020 and it has been properly accounted. This is the only purchase as to property, Plant and equipment during the year
- II. The land and office equipment were revalued for the first time at their market prices on 31.03.2021 as follows.

	Rs.000
Land	15 000
Office equipment	5 000

However, no accounting entries have been made for these revaluations.

- III. The depreciation for building and office equipment for the current year has been correctly calculated and accounted.
- IV. A motor vehicle was sold on 01.01.2020 for Rs.4 000 000. This motor vehicle has been Purchased on 01.10.2018 for Rs.5 000 000 and the company depreciates motor vehicles annually at 20% on cost using straight line method. The cash received by selling the motor vehicle has been debited to the cash account and credited to the motor vehicle account. No other accounting entry has been made in this respect. The depreciation on motor vehicles for the current year has been calculated and accounted for the whole year based on the opening balance of the motor vehicle account.
- V. The composition of administrative expenses and distribution cost is as follows.

Description	Administrative expenses (Rs.000)	Distribution Cost (Rs.000)
Salaries and related expenses	2 500	1 200
Directors fee	1 200	-
Depreciation of building	900	-
Depreciation of motor vehicle	-	4 800
Depreciation of office equipment	750	-
Advertising	-	800
Other office expenses	1 450	-
Other distribution cost	-	400
Total	6 800	7 200

- VI. The interim dividends paid to ordinary shareholders is shown as other distribution cost.
- VII. No entry has been made for audit fees of Rs.300 000 payable as at 31.03.2021.
- VIII. The company entered into a lease agreement on 31.03.2021 to obtain the right of use of a plant for a period of 5 years. According to the lease agreement, Rs.2 500 000 was paid on 31.03.2021 as the down payment. Five annual lease installments of Rs.971 000 each should be paid over the lease term and the first installment is due on 31.03.2022. The total interest payable over the lease term is Rs.1 355 000, which includes Rs.420 000 interest for the year ending 31.03.2022. Only the down payment has been recognized as the right of use asset. No other entry has been made in this regard.
- IX. Income tax paid includes Rs.500 000 paid for the previous year and the tax paid for the first three quarters of the current year. The income tax payable for the last quarter of the current year was estimated as Rs.200 000.
- X. The financial statements of the company were authorized to issue by the directors on 31.05.2021 and the following events took place prior to this date.
- A trade debtor of the company was declared bankrupt by the court on 01.05.2021. The trade receivables balance shown in the trial balance as at 31.03.2021 includes Rs.600 000 receivables from this debtor.
 - A building with a carrying amount of Rs.5 000 000 was fully destroyed due to a fire occurred on 15.05.2021.

Required:

The Company financial statements (including notes) of Eranga PLC publication as per LKAS 1 (Presentation of Financial Statements)

- 1). Statement of Profit or Loss and Other Comprehensive Income for the year ending 31.03.2021
- 2). Statement of Changes in Equity for the year ending 31.03.2021
- 3). Statement of Financial Position as at 31.03.2021

2022 A/I

The summarized trial balance of Damitha PLC as at 31.03.2022 is given below.

Description	Dr. (Rs.000)	Cr. (Rs.000)
Property, plant and equipment	80 000	
Accumulated depreciation as at 01.04.2021 – (PPE)		11 000
Sales		72 200
Cost of sales	43 000	
Inventory	3 250	

Other income		1 800
Trade receivables	9 100	
Trade payables		5 250
Cash and cash equivalents	500	
Stated capital – ordinary shares		40 000
Retained earnings as at 01.04.2021		17 700
Revaluation reserve – Building		5 000
Administrative expenses	8 800	
Distribution cost	6 200	
Finance cost	1 500	
Other expenses	600	
Income tax paid	900	
Provision for income tax as at 01.04.2021		400
Provision for compensation		500
	153 850	153 850

Additional Information

Before preparation of the financial statements for the year ending 31.03.2022, Adjustments have to be made for the followings.

- I. The inventory as at 31.03.2022 consisted of three items and their cost and net realizable value were as follows.

Item	Cost (Rs.000)	Net Realizable Value (Rs.000)
A	1 250	1 600
B	1 200	1 100
C	900	550
	3 350	3 250

It is the policy of the company to apply item-by-item basis in measuring inventory at cost and net realizable value, whichever is lower. However, the inventory as at 31.03.2022 has been measured by comparing the total cost and the total net realizable value of all three items in contrary to this policy. Accordingly, the cost of the inventory has been written off by Rs.100 000 and it has been included in other expenses.

- II. The provision for compensation shown in the trial balance has been made in relation to a case filed by a customer against the company. The court decision was given on 01.05.2022 and the company paid a compensation of Rs.700 000 accordingly. The financial statements were authorized for issue by the directors of the company on 01.06.2022.
- III. The composition of property, plant and equipment and their accumulated depreciation are as follows.

Description	Cost/Value as at 31.03.2022 (Rs.000)	Accumulated depreciation as at 01.04.2021 (Rs.000)
Land	30 000	-
Building	25 000	2 000
Motor vehicles	15 000	5 000
Office equipment	10 000	4 000
	80 000	11 000

All property, plants and equipment are used for administrative purposes. Depreciation should be provided for the year ending 31.03.2022. There is no residual value for these assets. (The Additional information (iv), (v) and (Vi) Should also be considered in calculating depreciation.)

- IV. The building and motor vehicles were revalued for the **First time** on 31.03.2019 and it is recorded correctly in the books. The details in this respect are given below.

	Building	Motor vehicles
Revaluation Surplus (Rs.000)	5 000	-
Revaluation Deficit (Rs.000)	-	1 000
Remaining useful life from the date of first time revaluation (Years)	25	6

The building and motor vehicles were revalued for the **second time** on 31.03.2022 as follows.

	Building	Motor vehicles
Revalued Amount (Rs.000)	20 000	7 000

However, no accounting entry has been made with respect to the second time revaluation of buildings and motor vehicles. There were no purchases or disposals of buildings and motor vehicles after 31.03.2019.

- V. Few office computers were sold on 01.10.2021 for Rs.1 600 000 and they were purchased on 01.10.2020 for Rs.2 000 000. The company depreciate office equipment at 20% per annum on cost using straight-line method. The cash received by selling these computers has been debited to cash account and credited to other income account. No other accounting entry has been made for this sale.
- VI. The following items of property, plants and equipment has been purchased during the current year and they have been properly accounted.

Date of purchases	Item	Cost (Rs.000)
01.07.2021	Land	8 000
01.10.2021	Photocopy machine	1 500

- VII. Director's fee of Rs.1 900 000 and the interim dividends paid for ordinary shareholders of Rs.1 100 000 have been included in the administrative expenses.
- VIII. The company obtained the right of use of a building on 01.04.2021 under a lease agreement. The details of this lease are as follows.

• Lease period	5 years
• Useful life of building	25 years
• Initial cost of the right of use asset (Rs.000)	2 750
• Initial amount of the lease liability (Rs.000)	2 750
• Annual lease installment (Rs.000)	820
• Lease interest for the year ending 31.03.2022 (Rs.000)	412
• Lease interest for the year ending 31.03.2023 (Rs.000)	350

The ownership of the right of use asset is not transferred to the company at the end of the lease term. The lease installment should be paid on 31st March of each year. Accordingly, the first annual lease installment was paid on 31.03.2022 and it was erroneously included in the distribution costs. No other accounting entry has been made as to this lease. The right of use assets is presented as a separate item on the face of the statement of financial position of the company.

- IX. Income tax paid shown in the trial balance consisted of Rs.320 000 paid for the previous year and the tax paid for the first three quarters of the current year. The total income tax liability for the year ending 31.03.2022 was estimated as Rs.1 200 000.

Required:

The Company financial statements (including notes) of Damitha PLC publication as per LKAS 1 (Presentation of Financial Statements)

- 1). Statement of Profit or Loss and Other Comprehensive Income for the year ending 31.03.2022
- 2). Statement of Changes in Equity for the year ending 31.03.2022
- 3). Statement of Financial Position as at 31.03.2022