Year-end adjustments and

Preparation of Financial Statements of

Sole Proprietorships Business

SLT Campus

Padukka – Sri Lanka

**Exercise 01**

The trial balance of Raveendra Enterprise as at31March 2023 is given below'

Rs.’000

|  |  |  |
| --- | --- | --- |
|  | **Dr.** | **Cr.** |
| Land and buildings | 8,000 |  |
| Machinery | 6,000 |  |
| Motor vehicles | 4,000 |  |
| Capital |  | 20,000 |
| Bank loan |  | 3,000 |
| Trade Receivables | 500 |  |
| Trade Payables |  | 600 |
| Purchase | 5,800 |  |
| Sales |  | 8,600 |
| Salary | 500 |  |
| Electricity | 400 |  |
| Telephone | 100 |  |
| Sales return | 50 |  |
| Purchase return |  | 20 |
| Open stock | 500 |  |
| Fixed deposit | 2,000 |  |
| Advertising | 800 |  |
| Sales commission paid | 200 |  |
| Interest paid | 50 |  |
| Cash at bank | 2,500 |  |
| Cash in hand | 820 |  |
|  | **32,220** | **32,220** |

**Required**

Prepare the trading profit and loss account of Raveendra Enterprise and the balance sheet as at 31 March 2023 assuming there is no closing stock.

**Exercise 02**

The trial balance of Shihan Enterprise as at31 March 2023 is given below'

|  |  |  |
| --- | --- | --- |
|  | **Dr.** | **Cr.** |
| Non-current assets | 9,000 |  |
| Capital |  | 8,000 |
| Bank loan |  | 3,000 |
| Trade Receivables | 250 |  |
| Trade Payables |  | 350 |
| Purchase | 3,000 |  |
| Sales |  | 4,900 |
| Administrative expenses | 400 |  |
| Distribution cost | 600 |  |
| Interest cost | 30 |  |
| Sales return | 20 |  |
| Purchase return |  | 10 |
| Stock as at (01 April 2022) | 300 |  |
| Fixed deposit | 1,000 |  |
| Cash at bank | 1,200 |  |
| Cash in hand | 460 |  |
|  | **16,260** | **16,260** |

**Additional information**

1. The closing stock of Shihan Enterprise has been valued at cost for Rs.300,000

**Required**

1. Trading, profit and loss account of Shihan Enterprise for the year ended 31 March 2023
2. Statement of Financial position sheet as at 31 March 2023.

**Exercise 03**

The trial balance of Asanka Enterprise as at31 March 2023 is given below.

Rs.’000

|  |  |  |
| --- | --- | --- |
|  | **Dr.** | **Cr.** |
| Capital |  | 5,000 |
| Non current assets | 5,500 |  |
| Bank loan |  | 1,500 |
| Debotors and Trade Payables | 150 | 200 |
| Purchase and sales | 1,750 | 2,900 |
| Administrative expenses | 250 |  |
| Distribution cost | 400 |  |
| Finance cost | 50 |  |
| Sales return | 30 |  |
| Purchase return |  | 50 |
| Stock as at 01 April 2022 | 200 |  |
| Fixed deposit | 500 |  |
| Cash at bank | 800 |  |
| Cash in hand | 20 |  |
|  | **9,650** | **9,650** |

**Additional information**

1. The cost of the closing stock as at 31 March 2023 was Rs.250,000. However, its net realizable value was Rs.200,000.
2. Rs.20,000 worth of goods were donated to school and Asanka took Rs.10,000 worth of goods for his personal use. No adjustments have been made in this regard.

**Required**

1. Income statement of Asanka Enterprise for the year ended 31 March 2023
2. Statement of Financial Position sheet as at 31 March 2023.

**Exercise 04**

The trial balance of Mangala Enterprise as at31 March 2023 is given below.

Rs.’000

|  |  |  |
| --- | --- | --- |
|  | **Dr.** | **Cr.** |
| Capital |  | 10,000 |
| Non-current assets | 12,000 |  |
| Bank loan |  | 4,000 |
| Trade Receivables and Trade Payables | 400 | 500 |
| Sales |  | 4,700 |
| Stock as at 01 April 2022 | 300 |  |
| Purchase | 2,100 |  |
| Administrative expenses | 500 |  |
| Distribution cost | 800 |  |
| Finance cost | 100 |  |
| Fixed deposit | 1,000 |  |
| Cash at bank | 1,200 |  |
| Cash in hand | 800 |  |
|  | **19,200** | **19,200** |

**Additional information**

1. The market value of the closing stock as at 31 March 2023 is Rs.330,000.
2. Rs.20,000 worth of stock was damaged on 20 March 2023. No adjustment has been done in this regard.
3. Prasad Enterprise donated Rs.10,000 worth of goods to a school that has not yet been adjusted in the books.
4. Rs.50,000 should be written off as bad debt. A provision of 10% should be provided for doubtful debts.

**Required**

1. Profit and loss account of Mangala Enterprise for the year ended 31 March 2023.
2. Balance sheet as at 31 March 2023.

**Exercise 5**

The trial balance of Prasad Enterprise as at 31 March 2023

Rs.’000

|  |  |  |
| --- | --- | --- |
|  | **Dr.** | **Cr.** |
| Land and buildings | 10,000 |  |
| Machinery | 8,000 |  |
| Motor vehicles | 7,000 |  |
| Capital |  | 25,000 |
| Bank loan |  | 4,000 |
| Stcok as at 01 April 2022 | 600 |  |
| Trade Receivables | 850 |  |
| Trade Payables |  | 700 |
| Purchase | 7,500 |  |
| Sales |  | 10,600 |
| Salary | 340 |  |
| Electricity | 180 |  |
| Telephone | 100 |  |
| Sales return and purchase return | 50 | 20 |
| Advertising | 1,200 |  |
| Sales commission | 200 |  |
| Interest | 500 |  |
| Fixed deposit | 2,000 |  |
| Cash at bank | 1,400 |  |
| Cash in hand | 400 |  |
|  | **40,320** | **40,320** |

**Additional information**

Trial balance has been prepared prior to making following adjustment.

1. The value of the closing stock at cost was Rs.600,000. However its market value was Rs.620,000.
2. Part of the stock, which cost Rs.50,000 to the firm, was damaged on 20 March 2023 causing a fire. Insurance agent has agreed to pay 80% of the damage. However no adjustment has been made in the books in this regard.
3. Non current assets should be depreciated following manner.

Machinery on reducing balance method 20%

Motor vehicles on straight line method 10%

1. Rs.30,000 should be written off as bad debt. A provision of 10% should be provided for doubtful debts.

**Required**

1. Trading, Profit and loss account of Prasad Enterprise for the year ended 31 March 2023.
2. Statement of Financial Position as at 31 March 2023.

**Example 6**

The trial balance of Shan Enterprise as at 31 March 2023 is given below. Rs.’000

|  |  |  |
| --- | --- | --- |
|  | **Dr.** | **Cr.** |
| Land at cost | 9,000 |  |
| Buildings at cost | **6,000** |  |
| Machinery at cost | 5,000 |  |
| Motor vehicles at cost | 8,000 |  |
| Provision for depreciation as at 01 04 2022 |  |  |
| Buildings |  | 400 |
| Machinery |  | 1,000 |
| Motor vehicles |  | 1,600 |
| Capital |  | 20,000 |
| Bank loan |  | 5,000 |
| Trade Receivables | 800 |  |
| Trade Payables |  | 800 |
| Stock | 400 |  |
| Cost of sales | 6,200 |  |
| Sales |  | 10,600 |
| Administrative expenses | 820 |  |
| Distribution costs | 1,200 |  |
| Finance cost | 200 |  |
| Sales return | 80 |  |
| Purchase return |  | 100 |
| Cash at bank | 1,750 |  |
| Cash in hand | 50 |  |
|  | **39,500** | **39,500** |

**Additional information**

Trial balance has been prepared before making the following adjustments

1. Cost of sales has been computed by valuing the closing stock at cost Rs.400,000 however its market value was Rs.340,000.
2. Shan took Rs.20,000 worth of goods for his personal use and Rs.30,000 worth of goods have been donated to a school.
3. A motor vehicle that was purchase on 01 Octorber 2022 for Rs.1,000,000 has erroneously been debited to the purchase account.
4. Non current assets should be depreciated following manner.

Buildings on straight line method 5%

Machinery on Straight line method 20%

Motor vehicles on straight line method 10%

1. A provision of 10% should be provided for doubtful debts.
2. Administrative expenses include a prepaid insurance expense of Rs.20,000 and following expenses were accrued;

Electricity Rs.20,000

Telephone Rs. 30,000

**Required**

1. Trading, Profit and loss account of Shan Enterprise for the year ended 31 March 2023.
2. Statement of Financial Position as at 31 March 2023.

**Exercise No. 7**

The trial balance of Sumeda Enterprise as at 31 March 2023 is given below. Rs.’0000

|  |  |  |
| --- | --- | --- |
|  | **Dr.** | **Cr.** |
| Capital |  | 25,000 |
| Bank loan |  | 5,000 |
| Land at cost | 10,000 |  |
| Buildings at cost | 8,000 |  |
| Machinery at cost | 6,000 |  |
| Motor vehicles at cost | 10,000 |  |
| Furniture at cost | 2,000 |  |
| Provision for depreciation as at 1.4.2022 |  |  |
| Buildings |  | 1,200 |
| Machinery |  | 1,800 |
| Motor vehicles |  | 2,500 |
| Furniture |  | 400 |
| Stock | 600 |  |
| Cost of sales | 8,400 |  |
| Sales |  | 15,300 |
| Other income |  | 400 |
| Administrative expenses | 1,620 |  |
| Distribution cost | 2,200 |  |
| Finance cost | 400 |  |
| Return inwards and outwards | 80 | 50 |
| Trade Receivables and Trade Payables | 800 | 900 |
| Cash at bank | 2,410 |  |
| Cash in hand | 40 |  |
|  | **52,550** | **52,550** |

**Additional information**

The trial balance has been prepared before making the following adjustments.

1. The market value of the stock, as at 31 March 2023, was Rs.20,000 less than its cost.
2. Part of the goods that cost Rs.100,000 was damaged causing an accident. Insurance company has agreed to pay Rs.80,000 for compensation.
3. A motor vehicle that was purchased on 01 April 2016 for Rs.1,000,000 disposed on 1 October 2023 for Rs.800,000. Sales proceeds received has been debited cash and credited to sales.
4. Non-current assets should be depreciated following manner.

Buildings and Furniture on straight line basis at 5% p.a

Machinery on reducing balance method at 20% p.a

Motor vehicles on Straight line method at 10% p.a

1. Administrative expenses include a prepaid expense of Rs.50,000 and the following expenses were accrued as at 31 March 2023.

Telephone Rs.30,000

Electricity Rs.20,000

1. Other incomes include a rental income of Rs.20,000 received for the next year and an interest income of Rs.40,000 is to be received.
2. Rs.20,000 should be written off as bad debts and a provision of 10% should be provided for doubtful debts.

**Required**

1. Trading profit and loss account for the year ended 31 March 2023
2. Statement of Financial Position as at 31 March 2023.