



**RAJARATA UNIVERSITY OF SRI LANKA
FACULTY OF APPLIED SCIENCES**

**B.Sc. (General) Degree in Information and Communication Technology
Third Year - Semester I Examination – June/July 2018**

ICT 3209 – PRINCIPLES OF ACCOUNTING

Time: Two (02) hours

Answer all Questions.

No. of questions 04

Use of Calculator is permitted.

No. of pages 05

Begin each answer on a new page and Submit all workings.

1. “Accounting is an information system which provides necessary information for interested parties”

- a) Briefly explain **two** objectives of accounting. (04)
- b) Mention **six** accounting concepts and describe **two** of them briefly. (07)
- c) Briefly explain the following terms with two examples for each. (06)
 - i. Asset
 - ii. Equity
 - iii. Liability
- d) State **four** users of accounting information with reasons. (04)
- e) Give **two** examples for Petty Cash expenses (02)
- f) Mention the **two** methods of preparing cash flow statements. (02)

(Total 25 Marks)

2. Nihal is a wholesale trader in merchandise. Following is the tabulated summary of transactions which took place during the first month of 2018. (All figures in Rs. '000)

Asset				=	Equity		+	Liability	
No	Cash	Accounts receivable	Inventory	Land, building	Capital	Profit	Accounts payable	Bank loan	
1	+100			+50	+150				
2	-30		+30						
3		+15	-12			+3			
4	+10		-8			+2			
5	-4					-4			
6	+7	-8				-1			
7			+22				+22		
8	+10					+10			
9	-17					+1	-18		
10	-8					-8			
11			-3			-3			
12	+50							+50	
13				-1		-1			
14		-2				-2			
15	+12	+8	-16			+4			

You are required to:

- a) **Describe each possible transaction** that occurred for the month of January, 2018.

(15)

- b) Calculate the **Profit** for the month of January, 2018.

(02)

- c) Calculate the **Total Asset** value as at 31st, January 2018.

(03)

(Total 20 Marks)

3. The trial balance of Kamal Traders, who is a retailer in Electric Equipment, had the following balances as at 01st, January 2017.

	Rs.
Cash	15,000
Accounts receivable	13,000
Prepaid rent	3,200
Inventory	10,000
Vehicle	50,000
Furniture	25,000
Accounts payable	16,000
Salary payable	4,500
Capital	95,700

The following transactions took place during the year 2017:

1. Paid the salaries due for year 2016.
2. Purchased Rs. 18,000 of supplies on account.
4. Paid Rs. 1,000 as office rent.
5. Purchased Rs. 14,000 of supplies.
6. Sold alarm systems for Rs. 45,000.
7. Took a bank loan for Rs. 100,000 on 01st, July 2017. Loan interest is 10% per annum.
8. Sold monitors for Rs. 23,500 on account.
9. Cash received from accounts receivables Rs. 8,600. A discount of Rs. 1,400 was allowed.
10. Paid water bill and electricity bill of Rs. 500 and Rs. 700 respectively.
11. Rs. 22,000 commission was received for the services provided.
12. Paid Rs. 10,000 by cash to accounts payables and received a discount of Rs. 1,000.
13. Kamal took Rs. 2,600 supplies and Rs. 5,000 cash for his personal use.
14. Paid Rs. 3,000 of advertising expense and Rs. 4,000 of employee salary during the year.
16. Paid bank loan interest.

Additional information:

- i. Inventory as at 31st, December 2017 is valued at Rs. 18,000.
- ii. The depreciation policy of the business is to use straight line method. The residual value of the vehicle at 5-year life is Rs. 5,000. Furniture is to be depreciated at 10% per annum.
- iii. Advertising expense include Rs. 600 prepaid for the next year.
- iv. Annual rent for the office is Rs. 5,000.

You are required to prepare:

- a) **Trial balance** as at 31st, December 2017.
- b) **Income statement** (Profit and Loss Account) for the year ended 31st, December 2017.
- c) **Statement of Financial Position** (Balance Sheet) as at 31st, December ~~2018~~ 2017

(Total 40 Marks)

4. Following information is extracted from the books of ABC Trading, a sole proprietorship.

ABC Trading

Trial Balance

As at 31st, December 2017

Particulars	Debit (Rs.)	Credit (Rs.)
Purchases and Sales	145,000	289,000
Accounts Receivables and Payables	21,000	17,500
Furniture	50,000	
Land and Building	175,000	
Vehicle	60,000	
Cash	145,000	
Rent	25,000	
Wages	15,000	
Electricity and Telephone	7,500	
Prepaid interest	5,000	
Interest paid	30,000	
Other income		37,250

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Bank Loan		200,000
Capital		134,750
Total	678,500	678,500

Additional information:

- i. All sales and purchases were made on credit basis.
- ii. During the period, the owner has introduced new capital by cash.
- iii. Balance Sheet amounts as at 31st, December 2016 is given below:

	Rs.
Land and Building	175,000
Vehicle	60,000
Inventory	12,000
Accounts receivables	15,000
Prepaid interest	7,000
Cash	95,000
Capital	80,000
Bank loan	260,000
Accounts payables	24,000

You are required to prepare the **Cash Flow Statement** for ABC Trading for the year ended 31st, December 2017.

(Total 15 Marks)

END