



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

B.Sc. (General) Degree in Information and Communication Technology

Third Year – Semester I Examination – Oct. /Nov. 2015

**ICT 3209 – Principles of Accounting**

Answer All Questions

Time allowed: Two hours

01.

SLJ is a Trading Business. The assets and liabilities of the business as at 1<sup>st</sup> January 2015 were as follows:

	Rs.
Stock as at 01/01/2015	21,000
Debtors	32,000
Creditors	25,000
Prepaid insurance	12,000
Cash	50,000
Bank	60,000
Rent received (Advance)	20,000

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The business activities of the month of January were as follows.

- 1/ Jan. Owner of the business invested Rs. 50,000 of his personal funds.
- 2/ Jan. Received a bank loan 12% Rs.125,000 (cash).
- 3/ Jan. Deposit Rs. 150,000 at bank.
- 6/Jan. Purchased a Motor vehicle by paying a cheque for Rs.75,000.
- 7/Jan. Purchase of trading goods for Rs.5,000.
- 15/ Jan. Prepaid insurance Rs.12,000 for six months effective from 1st of January.
- 16/ Jan. Purchase of trading goods for Rs.35,000 in credit.
- 17/ Jan. Paid employees' wages Rs. 12,000.
- 18/ Jan. Sold Rs.30,000 goods for cash.
- 19/ Jan. Paid Rs. 25,000 for creditors.

- 20/ Jan. Rent income for the month of January was Rs.10,000.  
 25/ Jan. Sold Rs.50,000 goods at credit.  
 26/ Jan. Withdrawn Rs.15,000 cash by owner.  
 29/ Jan. Received Rs.40,000 cheque from a debtor and deposited in the bank.  
 30/ Jan. Paid Bank loan interest for the month of January.

Using above data, you are required to prepare ledger accounts for the month of January and Trial Balance as at 31st January 2015.

**20 Marks**

**02.**

LMN is a trading business. Following is the trial balance extracted from the books of LMN.

LMN Business  
 Trial Balance  
 For the year ending 03.31.2015

Description	Dr. (Rs.)	Cr. (Rs.)
Capital		1,800,000
Stock as at 01.04.2014	40,000	
Purchases	302,000	
Sales		590,000
Land and building cost	800,000	
Motor vehicle cost	550,000	
Office equipment cost	230,000	
Provision for depreciation		
: Motor vehicle		80,000
: Office equipment		50,000
Investment	500,000	
Investment Income		55,000
Discount received		8,000
Managers salaries	42,000	
Telephone charges	40,000	
Electricity expenses	30,000	
Discount allowed	6,000	

Description	Dr. (Rs.)	Cr. (Rs.)
Sales commission	14,000	
Distribution expenses	16,000	
Advertising expenses	20,000	
12% Bank loan		300,000
Bank loan interest	36,000	
Debtors	94,000	
Creditors		58,000
Doubtful debts		8,000
Rent received		7,000
Salary payable		12,000
Cash in hand	248,000	
<b>Total</b>	<b>2,968,000</b>	<b>2,968,000</b>

**Notes;**

1. Estimated the closing stock at 31.03.2015 as Rs.56,000.
2. Received Rs.40,000 advances from ABC as its two months' rent. The building is to be rented from 1<sup>st</sup> April 2015.
3. There is a payable Director charge of Rs.8,000.
4. Decision was made to write off Rs.4,000 for Bad debts and allocate 10% from debtors for doubtful debts.
5. The depreciation policy of the business is to depreciate Motor vehicle (using as product distribution vehicles) and office equipment, at the rate of 10% of its total costs.

You are required to prepare the Income Statement for the year ended 31<sup>st</sup> March 2015 and the Balance Sheet as at that date.

**30 Marks**

03.

BSS is a trading business. The firm's income statement and the balance sheet as follows.

**BSS Business**  
**Income Statement**  
**For the year ending 03.31.2015**

		Rs.
Sales		600,000
Cost of good sold		286,000
<b>Gross profit</b>		<b>314,000</b>
Other operational income		
Equipment sales		40,000
Discount received		10,000
		364,000
Operating expenses		
Office equipment depreciation	20,000	
Motor vehicle depreciation	55,000	
Electricity expense	30,000	
Bad debts	10,000	
Insurance expense	42,000	
Discount allowed	15,000	
Salary and wages	60,000	
Building rent	55,000	
Loan interest	10,000	(297,000)
Profit before tax		67,000
Income tax		(10,000)
<b>Profit After tax</b>		<b>57,000</b>

**BSS Business  
Balance Sheet  
As at 03.31.2015**

	Rs.			
	31.03.2015		31.03.2014	
<b><i>Assets</i></b>				
<b><u>Fixed assets</u></b>				
Land and building cost		500,000		500,000
Motor vehicle cost	550,000		450,000	
Accumulated depreciation	(135,000)		(80,000)	
Motor vehicle net value		415,000		370,000
Office equipment cost	200,000		330,000	
Accumulated depreciation	(25,000)		(55,000)	
Office equipment net value		175,000		275,000
<b><u>Current assets</u></b>				
Stock	44,000		30,000	
Debtors	81,000		61,000	
Doubtful debts	(8,100)		(6,100)	
Prepaid insurance	3,000		2,000	
Cash and cash equivalents	269,000	388,900	153,000	239,900
<b>Total assets</b>		<b>1,478,900</b>		<b>1,384,900</b>
<b><i>Equity and liability</i></b>				
<b><u>Equity</u></b>				
Capital	1,250,000		1,100,000	
Retained earnings	71,900	1,321,900	14,900	1,114,900
<b><u>Non-current liabilities</u></b>				
10% Long term debt		100,000		200,000
<b><u>Current liabilities</u></b>				
Creditors	44,000		58,000	
Outstanding expenses - electricity	8,000		2,000	
Income tax	5,000	57,000	10,000	70,000
<b>Total equity and liability</b>		<b>1,478,900</b>		<b>1,384,900</b>

**Additional information:**

1. Within the accounting period new motor vehicle was purchased at a cost of Rs. 100,000 in cash.
2. Equipments with a cost of Rs. 130,000 and accumulated depreciation value of Rs. 50,000 were sold for Rs. 120,000 in cash.
3. Bad debts written off during the year amounted to Rs. 8,000 and there is a policy of the business to allocate 10% for doubtful debts.
4. Owner contributed additional capital of Rs. 150,000.
5. Because of the business has enough funds, decision was taken to pay back 1/2 from the Bank loan.

You are required to Prepare the BSS business Cash Flow Statement for the year ended, 31<sup>st</sup> March 2015.

**25 Marks**

**04.**

- a) Explain the three types of cash books.

**5 Marks**

- b) What is the purpose of preparing a bank reconciliation statement?

**2 Marks**

- c) Explain the reasons for differences between the cash book balance and the bank statement balance.

**4 Marks**

- d) Cash Book (Bank column) and Bank Statement of BSS Business for the month of January are as follows.

**Cash book (Bank column)**

Dr			Cr		
Date	Description	Bank Rs.	Date	Description	Bank Rs.
1/1	Bal b/f	4,900	1/2	Samith - chq 46235	3,000
1/5	Madusanka	2,000	1/17	Lahiru - chq 46236	600
1/20	Yasiru	1,500	1/19	Sadun - chq 46237	3,300
1/30	Kawshi	4,000	1/31	Bal c/f	5,500
		12,400			12,400

**Bank Statement**  
for the month of January 2015

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Date	Description	Debit	Credit	Balance
1/1	Balance			4,900
1/5	Cheque deposit		2,000	6,900
1/7	Dishonored cheque	2,000		4,900
1/18	Service charges	40		4,860
1/9	Cheq 46235	3,000		1,860
1/13	Cheque deposit		2,500	4,360
1/20	Auto pay (standing order) - loan	250		4,110
1/22	Cheque 46236	600		3,510
1/27	Cheque book charges	100		3,410
1/29	Direct deposit (credit transfer) - rent		5,000	8,410
1/31	Balance			8,410

**Note;**

- \* Chequereceivedfrom Yasiru Rs.2,500 was wrongly entered in the cash book.

You are required to prepare the corrected cash book and Bank Reconciliation statement on corrected cash book balance.

14 Marks

**25 Marks**