



FSC 3122 : Accounting

24.12.2020

Group

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01.Opening Balances

	Rs.		Rs.
Building	130,000	<u>Creditors</u>	
Furniture	15,000	D.Lalith	460
10% Investment	12,000	H.Kumara	<u>1,300</u>
Inventory	8,000		1,760
Cash	12,000	Capital	177,790
<u>Debtors</u>			
S.Perera	Rs.750		
Lal & Co	<u>Rs.1800</u>		
	2,550		
	<u>179,550</u>		<u>179,550</u>

02.Transactions took place in the Charles Traders during the month of October,2020

Date	PCV No.	Transactions
01/10	201	Sold goods for Rs.2750 on credit to P.Perera
03/10	202	Sold goods for Rs.3500 on credit to H.Gunasekara
04/10	203	Cash sales for Rs.22750
05/10	204	Sold goods worth Rs.5000 on credit to Dammi
07/10	205	Goods worth Rs.1000 was returned by Dammi
08/10	206	Purchased goods worth Rs.18,000 from H.Kumara
09/10	207	Paid rent expense of Rs.5000
10/10	208	Sold goods worth Rs.35000 for cash
11/10	209	Sold goods worth Rs.2000 on credit to Lal & Co.
13/10	210	Received Rs.3500 from debtor H.Gunasekara
14/10	211	Received Rs.1750 from P.Perera
15/10	212	Sold goods worth Rs.3000 to S.Perera on credit
16/10	213	Purchased office equipment worth Rs.6000 on cash
17/10	214	Returned goods worth Rs.2000 to H.kumara

18/10	215	Purchased goods worth Rs 20,000 from D.Lalith on credit
19/10	216	Electricity bill:-paid Rs.6000
22/10	217	Owner took cash Rs. 3000 for his personal use
23/10	218	Received Rs.2000 from debtor Dammi
24/10	219	Paid Rs.10,000 for D.Lalith
25/10	220	Rent income received Rs.2500
27/10	221	Cash purchases Rs.7500
28/10	222	Salaries paid Rs.10,500
29/10	223	Received a 3 year bank loan of Rs.75,000
30/10	224	Owner invested capital worth Rs.20,000
31/10	225	Stationary expenses Rs.1500 paid

3. Prime Entry Books

Sales Journal

Date	Description	Value (Rs.)
01/10	P.Perera	2,750.00
03/10	H.Gunasekara	3,500.00
05/10	Dammi	5,000.00
11/10	Lal & Co.	2,000.00
15/10	S.Perera	3,000.00
		<hr/>
		16,250.00

Purchase Journal

Date	Description	Value (Rs.)
17/10	H. Kumara	18,000.00
18/10	D.Lalith	20,000.00
		<hr/>
		38,000.00

Return inwards journal

Date	Description	Value (Rs.)
23/10	Dammi	1,000.00
		<hr/>
		1,000.00

Return outward journal

Date	Description	Value (Rs.)
17/10	H.Kumara	2,000.00
		<hr/> 2,000.00

3.1 Cash book

Date	Receipt No.	Description	Amount	Cash Sale	Debtors collection	other	Date	P. NO	Description	Amount	Cash purchase	Creditors payments	other
		b/b/f	12,000										
4/10	203	Sales	22,750	22,750			9/10	207	Rent expense	5,000			5,000
10/10	208	Sales	35,000	35,000			16/10	213	Office equip.	6,000			6,000
13/10	210	H.Gunathilaka	3,500		3,500		19/10	216	Electric expense	6,000			6,000
14/10	211	P.Perera	1,750		1,750		22/10	217	Drawing	3,000			3,000
23/10	218	Dammi	2,000		2,000		24/10	219	D.lalith	10,000		10,000	
25/10	220	Rent Income	2,500			2,500	27/10	221	Purchases	7,500	7,500		
29/10	223	Bank Loan	75,000			75,000	28/10	222	Salaries	10,000			10,000
30/10	224	Capital	20,000			20,000	31/10	225	Stationary expense	1,500			1,500
			<hr/> 174,500	<hr/> 57,750	<hr/> 7,250	<hr/> 97,500			B/c/d	125,500			
										<hr/> 174,500	<hr/> 7,500	<hr/> 10,000	<hr/> 31,500

4. Ledger accounts

4.1 General Ledger

Debtors Control

Balance B/F	2,550		
Sales	16,250	Return Inwards	1,000
		Cash	7,250
		Balance C/D	10,550
	<u>18,800</u>		<u>18,800</u>

Creditors Control

		Balance B/F	1,760
Return Outwards	2,000	Purchases	38,000
Cash	10,000		
Balance C/D	27,760		
	<u>39,760</u>		<u>39,760</u>

Sales

		Cash	22,750
		Cash	35,000
		Debtors	16,250
I/S	74,000		
	<u>74,000</u>		<u>74,000</u>

Purchases

Creditors	38,000		
Cash	7,500		
	<u> </u>	I/S	45,500
	45,500		45,500

Return Inwards

Dammi	1,000		
	<u> </u>	I/S	1,000
	1,000		1,000

Return Outwards

		H Kumara	2,000
I/S	2,000		<u> </u>
	<u>2,000</u>		2,000

Building

b/b/f	130,000		
	<u> </u>	b/c/d	130,000
	130,000		<u>130,000</u>

Furniture

b/b/f	15,000		
		b/c/d	15,000
	<u>15,000</u>		<u>15,000</u>

Investment

b/b/f	12,000		
		b/c/d	12,000
	<u>12,000</u>		<u>12,000</u>

Capital

		b/b/f	177,790
b/c/d	177,790		
	<u>177,790</u>		<u>177,790</u>

Rent expense

Cash	5,000		
		I/S	5,000
	<u>5,000</u>		<u>5,000</u>

**Office Equipment**

Cash	6,000		
		b/c/d	6,000
	<u>6,000</u>		<u>6,000</u>

Electricity expense

Cash	6,000		
		I/S	6,000
	<u>6,000</u>		<u>6,000</u>

Drawings

Cash	3,000		
		b/c/d	3,000
	<u>3,000</u>		<u>3,000</u>

**Rent Income**

		Cash	2,500
I/S	2,500		
	<u>2,500</u>		<u>2,500</u>

Salaries

Cash	10,000		
		I/S	10,000
	<u>10,000</u>		<u>10,000</u>

Bank loan

		Cash	75,000
b/c/d	75,000		
	<u>75,000</u>		<u>75,000</u>

Inventory

b/b/f	8,000		
		b/c/d	8,000
	<u>8,000</u>		<u>8,000</u>



Capital

		b/b/f	177,790
		Cash	20,000
b/c/d	197,790		
	<u>197,790</u>		<u>197,790</u>

Stationary expense

Cash	1,500		
		I/S	1,500
	<u>1,500</u>		<u>1,500</u>

4.2 Subsidiary Ledger

Subsidiary Ledger - Debtors

P.Perera

Sales	2,750	Cash	1,750
		b/c/d	1,000
	<u>2,750</u>		<u>2,750</u>

H. Gunasekara

Sales	3,500	Cash	3,500
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	<u>3,500</u>		<u>3,500</u>
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Dammi

Sales	5,000	Return inwards	1,000
		Cash	2,000
		b/c/d	2,000
	<u>5,000</u>		<u>5,000</u>

Lal & Co.

b/f	1,800		
Sales	2,000		
		b/c/d	3,800
	<u>3,800</u>		<u>3,800</u>

S.Perera

b/f	750		
Sales	3,000		
		b/c/d	3,750
	<u>3,750</u>		<u>3,750</u>

Subsidiary Ledger - Creditors**H.Kumara**

		b/f	1,300
		Purchases	18,000
Return Outwards	2,000		
b/c/d	17,300		
	<u>19,300</u>		<u>19,300</u>

D.Lalith

		b/f	460
		Purchases	20,000
Cash	10,000		
b/c/d	10,460		
	<u>20,460</u>		<u>20,460</u>

5. Trial balance

Charles Traders

Trial Balance as at 31st October 2020

	Debit	Credit
Inventory	8000	
Building	130,000	
Furniture	15,000	
Investment (10%)	12,000	
Sales		74,000
Return Inwards	1,000	
Purchases	45,500	
Return outwards		2,000
Rent Expense	5,000	
Office Equipment	6,000	
Electricity Expense	6,000	
Drawings	3,000	
Rent Income		2,500
Salaries	10,000	
Bank Loan		75,000
Capital		197,790
Stationary Expense	1,500	
Creditors		27,760
Debtors	10,550	
Cash	125,500	
Total	379,050	379,050

6. Month end adjustments

- Electricity payable is Rs 1000 .
- Rent income receivable is Rs 500 .
- Rs 500 of salary mistakenly debited to stationary expense account.
- Investment interest income for the month not received.
- Purchase of a machine worth Rs 50000 has not been recorded in books.

7. Month end adjustments recorded in general journal

General Journal

No	Description	Debit(Rs.)	Credit(Rs.)
01	Electricity expense account Dr Electricity payable account (accrued electricity being recorded)	1000	1000
02	Rent income receivable account Dr Rent income account (Rent income receivable being recorded)	500	500
03	Salary account Dr Stationary expense account (Correcting the error of mistakenly debiting salaries to the stationary expense account)	500	500
04	Interest income receivable account Dr Interest income account (Recording interest income receivable)	100	100
05	Machinery account Dr Cash account (Omission of the purchase of a machine transaction being recorded)	50000	50000

8. Adjustment entries adjusted to the ledger account

1.

Electricity expense			
Cash	6000	I/S	7000
Electricity payable	1000		
	<u>7000</u>		<u>7000</u>

Electricity payable			
Balance C/F	1000	Electricity expense	1000
	<u>1000</u>		<u>1000</u>

2.

Rent income			
I/S	3000	Cash	2500
	<u>3000</u>	Rent income receivable	500
			<u>3000</u>

Rent income receivable			
Rent income	500	Balance C/F	500
	<u>500</u>		<u>500</u>

3.

Salary			
Cash	10000	I/S	10500
Stationary expense	500		
	<u>10500</u>		<u>10500</u>

Stationary expense

Cash	1500	Salary	500
		I/S	1000
	<u>1500</u>		<u>1500</u>

4.

Interest income

I/S	100	Interest income receivable	100
	<u>100</u>		<u>100</u>

Interest income receivable

Interest income	100	Balance C/F	100
	<u>100</u>		<u>100</u>

5.

Cash

Balance B/F	125500	Machine	50000
		Balance C/F	75500
	<u>125500</u>		<u>125500</u>

Machine

Cash	50000	Balance C/F	50000
	<u>50000</u>		<u>50000</u>

9. Adjusted Trial Balance

Charles Traders

Adjusted Trial Balance as at 31st October 2020

	Debit	Credit
Inventory as at 1/10/2020	8000	
Building	130,000	
Machine	50,000	
Furniture	15,000	
Investment (10%)	12,000	
Sales		74,000
Return Inwards	1,000	
Purchases	45,500	
Return outwards		2,000
Rent Expense	5,000	
Office Equipment	6,000	
Electricity Expense	7,000	
Drawings	3,000	
Rent Income		3,000
Salaries	10,500	
Bank Loan		75,000
Capital		197,790
Stationary Expense	1,000	
Creditors		27,760
Debtors	10,550	
Cash	75,500	
Electricity Payable		1,000

Rent income Receivable	500	
Interest Income		100
Interest Income Receivable	100	
Total	380,650	380,650

10. Income statement

Charles Traders

Income statement for the month ending 31st October

Sales		74,000
(-) Return inwards		(1,000)
Net Sales		73,000
<u>(-) Cost of sales</u>		
Opening stock	8,000	
(+) purchases	45,500	
(-) return outwards	(2000)	
(-) Closing stock	-	(51,500)
Gross profit		21,500
<u>(+) Other Income</u>		
Interest income	100	
Rent income	3,000	3,100
<u>(-) Expenses</u>		
Rent expense	5,000	
Electrical expense	7,000	
Salaries	10,500	
Stationary expense	1,000	(23,500)
Net Profit		1,100

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11. Statement of Financial Position

Charles Traders

Statement of Financial Position as at 31st October 2020

<u>Non-Current Assets</u>		
Building	130,000	
Machine	50,000	
Furniture	15,000	
Office Equipments	6,000	
Investment	<u>12,000</u>	213,000
<u>Current Assets</u>		
Debtors	10,550	
Rent income receivables	500	
Interest income receivables	100	
Cash	<u>75,500</u>	<u>86,650</u>
Total Assets		<u>299,650</u>
Capital	197,790	
(+) Net Profit	1,100	
(-) Drawings	(3000)	195,890
<u>Non-Current Liability</u>		
Bank Loan	75,000	75,000
<u>Current Liability</u>		
Creditors	27,760	
Electricity Payable	<u>1,000</u>	<u>28,760</u>
Total Capital And Liabilities		<u>299,650</u>

12. Ratios

Profitability Ratio

$$\begin{aligned} 1. \text{ Gross Profit Ratio} &= \frac{\text{Gross Profit}}{\text{Net Sales}} \times 100 \\ &= \frac{21,500}{73,000} \times 100 \\ &= 29\% \end{aligned}$$

$$\begin{aligned} 2. \text{ Net Profit Ratio} &= \frac{\text{Net Profit}}{\text{Net Sales}} \times 100 \\ &= \frac{1,100}{73,000} \times 100 \\ &= 1.5\% \end{aligned}$$

Liquidity Ratio

$$\begin{aligned} \text{Current Ratio} &= \frac{\text{Current Assets}}{\text{Current Liabilities}} \\ &= \frac{86,650}{28,760} \\ &= 3.01 = \text{CA} : \text{CL} = 3 : 1 \end{aligned}$$

Leverage ratio

$$\begin{aligned}\text{Debt to Equity Ratio} &= \frac{\text{Total debt}}{\text{Shareholder equity}} \times 100 \\ &= \frac{75000+28760}{195890} \times 100 \\ &= 52.9\%\end{aligned}$$