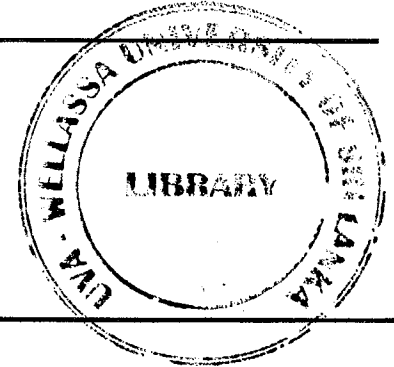


Uva Wellassa University
Faculty of Science and Technology
Degree of Bachelor of Industrial Information Technology
SECOND YEAR SECOND SEMESTER EXAMINATION -JANUARY /FEBRUARY2016
IIT241 -2 Financial Accounting for Industry



Instructions to candidates:

No. of pages : Six (06)
No. of questions : Four (04) Essay
Time allocation : Two (02) hours
Marks allocated :100 Marks
Answer all questions
Question paper is not to be removed out from the examination hall.



01.

- i) What is meant by Financial Accounting? (02 Marks)
 - ii) State the prime objective of Financial Accounting (03 Marks)
 - iii) List five (05) components of complete set of financial statements (05 Marks)
 - iv) Name the five (05) elements of financial statements (05 Marks)
 - v) "Different users require accounting information for different purposes". Briefly explain the given statement referring to at least five (05) types of accounting information user groups. (10 Marks)
- (Total Marks - 25)

02. The following trail balance was extracted from Dedunu Enterprises, a sole proprietorship as at 31/03/2015.

Particulars	Debit (Rs.000)	Credit (Rs.000)
Sales		3,560
Purchase	2,110	
Purchase return		10
Sales return	60	
Stock as at 1/4/2014	560	
Sundry debtors and creditors	552	262
Administrative Expenses	183	

Selling and Distribution Expenses	88	
Bad debts	8	
Provision for doubtful debt		40
Motor vehicle (At cost)	353	
Land and Building (At cost)	600	
Furniture and Fittings (At cost)	325	
Office Equipment	300	
Computer	100	
Advertising Expenses	44	
Insurance	45	
12% Bank loan		100
Postage and telephone	18	
Drawings	40	
Capital Account		1,500
Cash at bank	50	
Cash in hand	36	
	5472	5472

The following adjustments are to be made as at 31/03/2015 before preparing the final accounts.

- ✓ Stock as at 31/03/2015 was Rs.950,000
- ✓ A provision for doubtful debt is to be created to the extent of 4% on final debtor balance.
- ✓ Rs.2000 worth of debtors found to be bad on 30/03/2015. However, no any entry was made to record it.
- ✓ Provision for depreciation of non-current assets should be on following percentages.

Furniture and fittings	12%,
Motor vehicle	25%,
Office equipment	10%
Computer	50%

- ✓ The insurance expense paid consists of Rs.15,000 of prepaid insurance charges as at 31/03/2015 and Rs.10,000 of proprietor's life insurance premium for the year 2014.
- ✓ Motor vehicle repair expenses of Rs.3,000 has been debited to motor vehicle account

You are required to prepare;

- i) Trading Profit and Loss Account for the year ended 31/03/2015 (15 Marks)
 - ii) Balance Sheet as at 31/03/2015. (10 Marks)
- (Total Marks - 25)

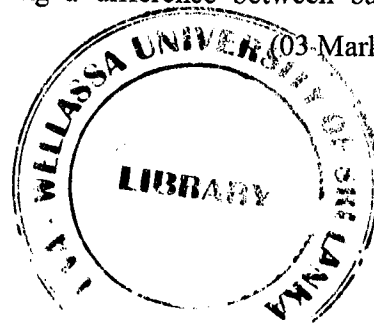
03.

- i) State the advantages of keeping records in the books of original entry. (02 Marks)
- ii) The following details of credit sales were extracted from the books of Asela Enterprises for the month of August 2015.

Date August	Customer	Invoice No.	Amount (Rs)	Other information
04	Ashoka Traders	1568	50,000	Received Rs.49,500 on 07/08/2015. Discount allowed Rs.500
14	Shanuka Silva	1569	20,000	Not settled within the month of August
22	Bhathiya Perera	1570	35,000	All the goods were returned back due to poor quality on 28 th August
25	Deshakthi Traders	1571	35,000	Paid by a cheque on 27 th August. The cheque was returned dishonored on 29 th August
28	Amila Dilshan	1572	25,000	50% of the amount receivable was settled on 30 th August.
29	Thenuki Jayamaha	1573	45,000	Not settled within the month of August

You are required to prepare the;

- a) sales journal for the month of August 2015 (04 Marks)
 - b) sales Account (01 Marks)
 - c) customers' personal accounts (05 Marks)
 - d) list of debtors along with the amount receivable as at 31/08/2015 (01 Marks)
- iii) State three (03) reasons for the possibility of appearing a difference between bank statement balance and adjusted cash book balance? (03 Marks)



iv) Tecnolanka Private Limited is a software engineering company. The company is doing their all the transactions via a current account maintained in a leading commercial bank in Sri Lanka. The bank statement of the month of November 2015 was received by the Tecnolanka Private Limited on 3rd December 2015. It shows Rs. 42,050 over draft against the company. But the cash book maintained by the business shows only a Rs.30,000 over draft.

The Accounts Assistant of the Tecnolanka Private Limited has listed following reasons for the difference between the two balances.

- ✓ The total amount of the cheques issued during the month was Rs.28,000. But only Rs.23,000 worth of cheques have been recorded in the bank statement.
- ✓ The total amount of cheques deposited during the month was Rs. 35,000. But only Rs.25,000 worth of cheques has been realized and recorded in the bank account.
- ✓ A customer has directly deposited Rs.3,000 to the bank account which was not recorded in the cash book.
- ✓ The bank has paid Rs.5,000 for building rent and Rs.8,000 insurance premium as the standing orders given by the business. Such payments are not recorded in the cash book.
- ✓ The bank has charged Rs.2000 as interest on bank over draft and Rs. 50 as bank charges.

You are required to prepare;

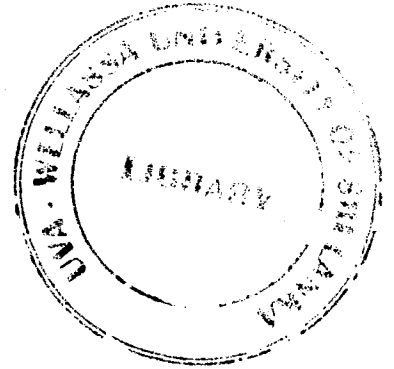
- a) Adjusted Cash book (05 Marks)
- b) Bank reconciliation statement using the adjusted cash book balance (04 Marks)

(Total Marks - 25)

04. Asitha and Thusitha are partners in a business sharing profits and losses in the ratio of 3:2. Their partnership agreement shows following terms and conditions.

- i) Each partner is entitled to a monthly salary of Rs.5000
- ii) The partners are entitled to 6% interest on their capital account balances
- iii) Interest on partners' drawings should be charged at the rate of 4% per annum.

The following balances were extracted from the books of Asitha Thusitha partnership as at 31/03/2015



Particulars	Debit	Credit
Capital Accounts		
Asitha		250,000
Thusitha		375,000
Current Accounts		
Asitha		185,000
Thusitha		175,000
Drawings		
Asitha	16,800	
Thusitha	28,600	
Net profits for the year		375,400
Land and Building	400,000	
Machinery	255,000	
Motor Vehicle	350,000	
Furniture and Fittings	280,000	
Stock as at 31/03/2015	150,000	
12% Bank Loan		150,000
Debtors and Creditors	54,500	84,500
Prepayments and Accruals	13,600	5,800
Cash in Hand	52,200	
Total	1,600,700	1,600,700

Additional information

- ✓ The drafted net profit for the year (Rs.375,400) has been calculated without accumulating the following items.
- Rs.15,000 of administrative expenses payable
 - Rs.10,000 Distribution expenses payable,

- Rs.5,000 pre paid insurance premium
- Interest to be paid on 12% bank loan
- ✓ Thusitha has introduced Rs. 50,000 as additional capital on 31/03/2015 which was not recorded so far.

You are required to;

- i) Calculate the correct net profit of Asitha Thusitha partnership business for the year ended 31/03/2015 (05 Marks)
- ii) Prepare the profit and loss appropriation account for the year ended 31/03/2015 (06 Marks)
- iii) Prepare the balance sheet as at 31/03/2015 (06 Marks)
- iv) Partners capital account (03 Marks)
- v) Partners current account (05 Marks)

(Total Marks - 25)