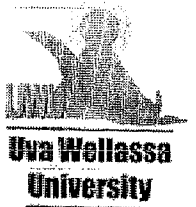


Uva Wellassa University
Faculty of Science and Technology

Degree of Bachelor of Industrial Information Technology

SECOND-YEAR SECOND SEMESTER EXAMINATION - DECEMBER 2016 / JANUARY 2017

IIT 241 -2 Financial Accounting for Industry



Instructions to candidates:

No. of pages : Six (06)
No. of questions : Six (06) Essay
Time allocation : Two (02) hours
Marks allocated : 100 Marks

Answer **only 04** questions.

Question paper is not to be removed out from the examination hall.

01.

- i) What is the prime objective of Financial Accounting ? (04 Marks)
- ii) Distinguish the internal users and external users of accounting information (06 Marks)
- iii) Name the five (05) elements of Financial Statements (05 Marks)
- iv) Describe the importance of financial accounting for decision making (10 Marks)

(Total Marks - 25)

02. Ganga traders is a sole proprietorship in the business of purchasing and selling computer accessories. The following trail balance was extracted from Ganga traders as at 31/03/2016.

Particulars	Debit (Rs.)	Credit (Rs.)
Sales		28,500
Purchase	12,110	
Stock as at 1/4/2015	3,560	
Sundry debtors and creditors	5,520	2,370
Administrative Expenses	1,830	
Selling and Distribution Expenses	1,880	
Bad debts	110	
Provision for doubtful debt		40
Land and Building (At cost)	60,000	

Furniture and Fittings (At cost)	36,000	
Office Equipment	30,000	
Computer	10,000	
Advertising Expenses	3,400	
Insurance	1,450	
12% Bank loan		10,000
Postage and telephone	180	
Drawings	400	
Capital Account		134,130
Cash in hand	8,600	
	175,040	175,040

The following adjustments are to be made as at 31/03/2016 before preparing the final accounts.

- ✓ Stock as at 31/03/2016 was Rs.5,000
- ✓ A provision for doubtful debt is to be created to the extent of 5% on final debtor balance.
- ✓ Electricity payable as at 31/03/2016 is Rs.200. The amount paid in cash is included in administrative expenses.
- ✓ Prepaid insurance expense is Rs.450
- ✓ Provision for depreciation of non-current assets should be on following percentages.

Furniture and fittings	10%,
Office equipment	10%
Computer	50%

You are required to prepare;

- i) Trading Profit and Loss Account of Ganga Tarders for the year ended 31/03/2016 (15 Marks)
 - ii) Balance Sheet as at 31/03/2016. (10 Marks)
- (Total Marks - 25)

03.

i) State the three (03) reasons for the possibility of appearing a difference between bank statement balance and adjusted cash book balance (05 Marks)

ii) 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 2016 was received by the Tecnolanka Private Limited on 3rd December 2016. It shows Rs. 52,000 credit balance and the cash book maintained by the business shows a different amount.

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

- ✓ Rs.10,000 worth of dividend income has directly deposited in the bank account which was noticed only after receiving the bank statement.
- ✓ The bank has paid Rs.8,000 for building rent and Rs.10,000 insurance premium as the standing orders given by the business which are not recorded in the cash book.
- ✓ A customer has directly deposited Rs.5,000 to the bank account which was not recorded in the cash book.
- ✓ The bank has charged Rs.2000 as interest on bank over draft and Rs. 50 as bank charges.
- ✓ 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.

You are required to prepare the Bank reconciliation statement (20 Marks)

(Total Marks - 25)



04. Asitha and Thusitha are partners in a business sharing profits and losses equally. Their partnership agreement shows following terms and conditions.

- i) Each partner is entitled to a monthly salary of Rs.5,000
- ii) The partners are entitled to 5% interest on their capital account balances

The following balances were extracted from the books of Asitha Thusitha partnership as at 31/03/2016

Particulars	Debit (Rs)	Credit (Rs)
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
Property Plant and Equipment	1,285,000	
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 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

You are required to;

- i) Prepare the profit and loss appropriation account using corrected net profit for the year ended 31/03/2016 (10 Marks)
 - ii) Prepare the balance sheet as at 31/03/2015 (08 Marks)
 - iii) Partners current account (07 Marks)
- (Total Marks - 25)

05. Briefly explain the following accounting concepts.

(5 x 5= 25 Marks)

- i) Business Entity concept
- ii) Accrual Basis concept
- iii) Prudence concept
- iv) Going concern concept
- v) Historical cost concept



06.

- i) List down three reasons/motives for holding cash in a business organization. (06 Marks)
- ii) State four advantages of having adequate amount of cash in hand for a business organization. (04 Marks)
- iii) The following information is relevant to Calton (Pvt) Ltd for the year ended 31/03/2016. The forecasted quarterly credit sales and other information for the year ended on 31st March 2016 are given bellow.

Quarter	1	2	3	4
Credit Sales (Rs)	400,000.00	600,000.00	500,000.00	800,000.00

Additional information

- 50 % of credit sales could be collected during the same quarter and the balance will be received in the next quarter
- Cost of purchase per quarter will be 60% of the quarter's predicted sales revenue. Payments to the suppliers equal to the cost of the current quarters' purchase.
- Machinery is to be bought for Rs.120, 000.00 during fourth quarter.
- Owner wishes to withdraw Rs.50, 000.00 in June 2015.

You are required to;

Prepare the quarterly cash budget of the Calton (Pvt) Ltd for the year ended 31st March 2016. (15 Marks)