

**Uva Wellassa University**  
**Faculty of Management**

**FIRST YEAR SECOND SEMESTER EXAMINATION – AUGUST/SEPTEMBER 2011**  
**BGE 121-3/EMG 101-3 - Business Studies, Accounting and Entrepreneurial Skills**  
**Part A & B – Business Studies and Accounting**



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**Section II and III – Structured and Essay Questions**

**Instructions to candidates**

No. of pages : Six (06)  
No. of questions : Five (05) in Section II  
                          Two (02) in Section III  
Time : One (01) hour and thirty (30) minutes  
Total marks allocated : 30 Marks for Section II  
                                  50 Marks for Section III

Index No:

**Answer all questions.**

Question paper is not to be removed from examination hall.

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### Section III – Essay Questions

01. Following trial balance has been extracted from Mr.Kamal Silva's trading business as at 31.03.2011.

Account item	Debit 'Rs 000'	Credit 'Rs 000'
Sales		45,012
Return inwards	500	
Advertising	350	
Purchases	20,500	
Carriage inwards	4	
Carriage outwards	15	
Salaries and wages	260	
Rates	3	
Bank balance	1,025	
Cash balance	475	
Trade debtors	550	
Trade creditors		120
Stock as at 01.04.2010	150	
Bank loan from BOC		200
Drawings	25	
Land	27,500	
Building	1,500	
Machinery	650	
<b>Provision for depreciation as at 01.04.2010:</b>		
Building		270
Machinery		65
Electricity	450	
Provision for doubtful debt 01.04.2010		60
Capital		8,230
	<u>53,957</u>	<u>53,957</u>

Further, the following information is available:

- i) Value of physical stock as at 31.03.2011 was Rs.200,000
- ii) Final provision for doubtful debts should be 12% of trade debtors outstanding as at 31.03.2011.
- iii) The bank loan obtained at 01.04.2010 and bank charges 15% per annum as interest payment on bank loan.
- iv) Depreciation is to be provided by using straight method as follows;
  - Buildings @ 5% per annum;
  - Machinery @ 10% per annum
- v) Accrued advertising expense as at 31.03.2011 was Rs. 50,000.



**You are required to:**

- a) Briefly explain why land is not depreciated in accounting. (01 mark)
- b) Show the double entry for adjusting stock as at 31.03.2011 to the financial statements. (01 mark)
- c)
  - i. Prepare trading, profit and loss account for the year ended 31.03.2011
  - ii. Show balance sheet as at 31.03.2011 (28 marks)

**(Total – 30 Marks)**

*(Show your all workings very clearly. Any assumptions should be clearly stated)*

02. Assume that Mr. Kamal is having an intention to start a business in near future. As he hasn't studied business studies, he doesn't know about legal forms of the businesses. Therefore he comes to you to get aware about the legal forms of businesses.

**You are required to:**

- a) briefly explain the main types of businesses.
- b) show the classification related to types of companies.
- c) provide a comparison between the main types of businesses in relation to formation, duration, management, owner's liability and taxation.

**(20 Marks)**