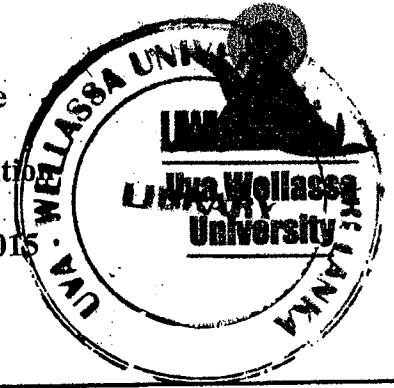


UvaWellassa University
Faculty of Animal Science & Export Agriculture
BSc in Tea Technology and Value Addition
BSc in Palm and Latex Technology and Value Addition

End Semester Examination September/October 2015
Year III Semester I

Financial Accounting (TEA 344-2)



Instructions

Part II – Essay Questions

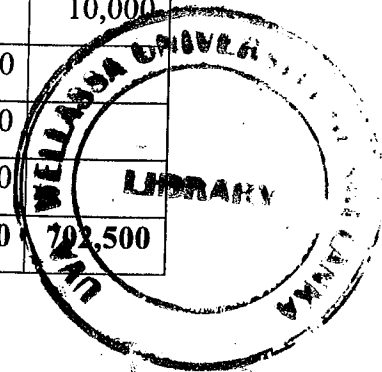
Answer all questions

Marks allocated for part II : 65 Marks

Question 01

- i) The following Trial Balance has been extracted from the Books of Amaris Farms, a Sole trader Business as at 31/03/2015

Particulars	Dr (Rs.)	Cr (Rs.)
Capital		350,000
Sales		285,000
Stock as at 01/04/2014	10,000	
Purchases	30,000	
Arable Land	200,000	
Building	140,000	
Citrus Orchard	120,000	
Office equipment	50,000	
Motor vehicle	104,400	
Administrative expense	12,000	
Debtors and Creditors	11,600	20,000
Fuel	3,500	
Bank Loan interest	6,000	
15% Bank loan		30,000
Provision for depreciation(1/4/2014)		
Building		7,500
Motor Vehicle		10,000
Other administrative expenses	5,000	
Cash at bank	6,500	
Cash in hand	3,500	
	702,500	702,500



You are provided the following additional information to be adjusted when preparing the Financial Statements.

- Stock as at 31/03/2015 was valued at Rs.12,500
- Fair value of the citrus fruits at the point of harvest was Rs.35,000 and further Rs.5,000 should be spend to make the sale of such fruits. The value of this stock of citrus fruits has not recorded in the books. However the entire stock of this fruit has been sold at the end of the period
- Rs.5,000 worth of goods purchased were returned due to bad quality.
- Sales return Rs.3,000
- Administrative expense payable Rs.2,000
- Provision for doubtful debtors should be at 5% of final debtor balance
- Non-current Assets should be depreciated as follows
 - Building 5% per annum
 - Motor Vehicle 20% per annum
- Fuel expense of Rs.4,400 has been debited to Motor Vehicle account.
- Pre paid electricity expense as at 31/03/2015 is Rs.1,500. The total electricity expense paid has been included in the administrative expense.
- Rs.600 worth of debtors found to be bad

You are required to prepare;

- a) Trading profit and loss statement of Amaris Farms for the year ended 31/03/2015
(15 Marks)
 - b) Balance Sheet as at 31/03/2015
(10 Marks)
- ii) Distinguish the accounting treatment of the capital of owners and the division of profits in Sole proprietorships, Partnerships and Limited liability companies. (10 Marks)
- (Total Marks - 35)

Question 02

- i) The following list of Balances was extracted from the books of Agro Mart Enterprises, a Sole Trader Business as at 01st July 2015.

Land and Building Rs.400,000

Machinery Rs.25,000

Stock Rs.12,500

Debtors Rs.25,000

Cash Rs. 15,000

Bank loan Rs.150,000

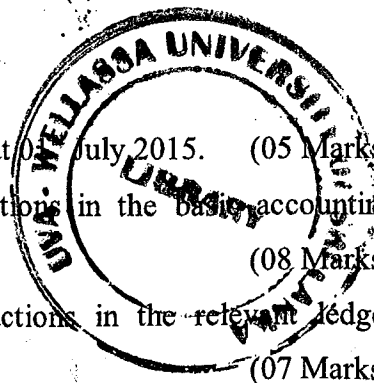
Creditors Rs.27,500

The following transactions were taken place in the Agro Mart Enterprises during the month of July 2015.

- Purchased goods from Pasindu Enterprises for Rs.5,000
- Obtained a loan from Sampath Bank Rs.100,000
- Purchased goods for Rs.100,000
- Goods sold for Rs.50,000; The cost of the goods sold was Rs.35,000
- Goods sold on credit Rs.10,000 The cost of the goods sold was Rs.7,500
- Fully settled the amount due to Pasindu Enterprises; Discount received for early settlement was 2% on payable amount
- Electricity expenses paid Rs.1,000
- Cash received from trade debtors Rs.20,000
- Owner withdraw Rs.100,000 from his personal Savings Account and the money was brought to the business.
- Loan installment paid Rs.25,000 including interest of Rs.5,000

You are required to;

- a) Prepare the balance sheet of Agro Mart Enterprises as at 01 July 2015. (05 Marks)
- b) Record the opening balances and the above transactions in the basic accounting equation. (08 Marks)
- c) Record the opening balances and the above transactions in the relevant ledger accounts using double entry book keeping method (07 Marks)



- ii) Explain the rationale for maintain a Petty Cash Book in addition to the Main Cash Book by a business entity. (2 Marks)
- iii) Briefly describe the imprest system relating to the maintenance of a Petty Cash Book (2 Marks)
- iv) Nimsara Enterprises maintains a petty cash book to record the Petty cash transactions taken place in the business. The petty cash float of the business is Rs.10,000. The petty cash balance at 31st July 2015 showed as Rs.925 and the balance was restored on 1st August 2015. During the month of August 2015, the following transactions were taken place.

Date	Expense	Amount (Rs)
2/8/2015	Bus fare	150
2/8/2014	Refreshments	450
3/8/2015	Purchased photocopy paper	500
5/8/2015	Postage and stamps	250
7/8/2015	Bus fare	150
8/8/2015	Train fare	100
12/8/2015	Stationary expenses	500
15/8/2015	Settle the amount due to a creditor P. Perera	2,500
20/8/2015	Purchased file clips and Stapler pins	100
20/8/2015	Postage and stamps	300
25/8/2015	Refreshments	550
26/8/2015	Photocopier paper	450
27/8/2015	Train fare	120
28/8/2015	Refreshments	350
29/8/2015	Donations	250
30/08/2015	Refreshments	400
30/08/2015	Settlement of Mr. M.Mohammad's account in the purchase ledger	2,000

You are required to;

Record the above transactions in analytical Petty Cash Book of Nimsara Enterprises.

(06 Marks)

(Total Marks-30)