

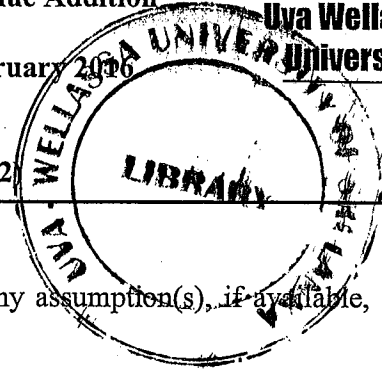
Uva Wellassa University
Faculty of Animal Science & Export Agriculture
BSc in Tea Technology and Value Addition
BSc in Palm and Latex Technology and Value Addition



Uva Wellassa
University

End Semester Examination January/February 2016
Year III Semester II

Financial Accounting (TEA 344-2)



Instructions

Answer **all** the questions. Show all workings very clearly. Any assumption(s), if available, should be clearly stated.

No. of questions : Three (03) Essay Questions
No. of pages : Five (05)
Time : One hour (01) and Fifteen (15) minutes
Total marks allocated : 60

Part II – Essay Questions

Question 01

The following Trial Balance has been extracted from the Books of The New Wellassa Enterprises, a Sole trader Business as at 31/03/2015

Particulars	Dr (Rs.)	Cr (Rs.)
Capital		450,000
Sales		365,000
Stock as at 01/04/2014	10,000	
Purchases	80,000	
Arable Land	300,000	
Furniture and Fittings	140,000	
Citrus Orchard	120,000	
Office equipment	50,000	
Motor vehicle	114,400	
Administrative expense	52,000	
Debtors and Creditors	11,600	20,000
Fuel	3,500	
Bank Loan interest	6,000	

15% Bank loan		50,000
Provision for depreciation(1/4/2014)		
Furniture and Fittings		7,500
Motor Vehicle		10,000
Other administrative expenses	5,000	
Cash at bank	6,500	
Cash in hand	3,500	
	902,500	902,500

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.14,500
- Rs.5,000 worth of goods purchased were returned due to bad quality
- Administrative expense payable Rs.8,000
- Building rent expense is Rs.2,500 per month. The business has paid Rs.37,500 as building rent and the entire amount is included in administrative expenses.
- Provision for doubtful debtors should be at 5% of final debtor balance
- Non-current Assets should be depreciated as follows
 - Furniture and Fittings 5% per annum
 - Motor Vehicle 20% per annum
- Fuel expense of Rs.14,400 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.1200 worth of debtors found to be bad
- Fair value of the citrus fruits at the point of harvest was Rs.48,000 and further Rs.2,000 should be spent to make the sale of such fruits. The value of this stock of citrus fruits has not recorded in the books.
- The stock as at 31/03/2014 has been understated by Rs.10,000 when preparing the financial statements of previous accounting year. The error has not been corrected so far.

You are required to prepare;

- i) Trading Profit and Loss Statement of The New Wellassa Enterprises for the year ended 31/03/2015 (12 Marks)
 - ii) Balance Sheet of The New Wellassa Enterprises as at 31/03/2015 (08 Marks)
- (Total Marks - 20)

Question 02

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

Land and Building Rs.500,000
Machinery Rs.125,000
Furniture and Fittings Rs.100,000
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 during the month of December 2015.

- Obtained a loan from Sampath Bank Rs.200,000
- 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
- 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.
- Purchased goods from Pubudu Enterprises for Rs.50,000
- Loan installment paid Rs.25,000 including interest of Rs.5,000
- Fully settled the amount due to Pubudu Enterprises; Discount received for early settlement was 2% on payable amount
- Rs.25,000 cost of goods has been taken by the owner for his private use
- Opened a bank current account depositing Rs.5,000

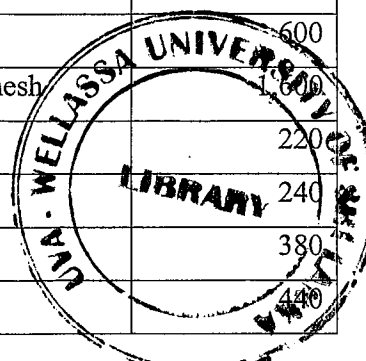
You are required to;

- i) Prepare the balance sheet of Agro Mart Enterprises as at 01/12/2015. (06 Marks)
- ii) Record the opening balances and the above transactions in the basic accounting equation. (14 Marks)
- (Total Marks- 20)

Question 03

- i) Almost all the large scale businesses use to maintain a petty cash book in addition to their main cash book. Explain the rationale for maintaining such a Petty Cash Book in a business in addition to their Main Cash Book. (02 Marks)
- ii) Briefly describe the imprest system relating to the maintenance of a Petty Cash Book (06 Marks)
- iii) Sisila Enterprises maintains a separate cash book in addition to the main cash book of the business to record their Petty cash transactions. The petty cash float of the business is Rs.10,000. The balance of the petty cash book as at 30th November 2015 was Rs.1,025. The balance was restored on 1st December 2015. During the month of December 2015, the following transactions were taken place.

Date	Description	Amount (Rs)
2/12/2015	Stationary expenses	250
2/12/2014	Refreshments	360
3/12/2015	Purchased photocopy paper	400
5/12/2015	Postage and stamps	210
7/12/2015	Purchased file clips and Stapler pins	160
8/12/2015	Taxi charges	250
8/12/2015	Donations	500
10/12/2015	Stationary expenses	600
14/12/2015	Settle the amount due to a creditor T. Ganesh	600
19/12/2015	Bus fare	220
20/12/2015	Postage and stamps	240
25/12/2015	Bus fare	380
26/12/2015	Refreshments	440



28/12/2015	Refreshments	340
29/12/2015	Donations	500
30/12/2015	Refreshments	390
30/12/2015	Settled Mr. Athula's account in the purchase ledger	2,000

You are required to prepare the analytical Petty Cash Book of Sisila Enterprises for the month of December 2015.

(12 Marks)

(Total Marks-20)

