

Uva Wellassa University of Sri Lanka
Faculty of Science and Technology
Department of Computer Science and Technology
200 level 1st Semester Examination – Jul./Aug. 2016
IIT232-3 Financial Accounting



Instructions to candidates

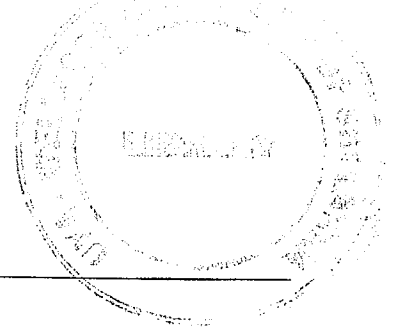
Duration: Three (03) hours

Number of questions: Six (06)

Answer only five (05) questions including question number one (01)

Mark allocation: 100

The question paper is not to be removed from the examination hall.



1. The following trial balance was extracted from the books of Wilson Traders, a sole proprietorship as at 31st March 2016.

Particulars	Debit (Rs,000)	Credit (Rs,000)
Equity		25,500
Inventory (1 st April 2015)	1,560	
Purchases	13,200	
Land and building cost	15,000	
Office equipment cost	5,000	
Motor Vehicles cost	5,400	
Provisions for depreciations as at 1st April 2015		
– Buildings		1,200
– Office equipment		1,400
– Motor Vehicles		1,700
Sales		30,500
Bank Interests	300	
Rent	880	
Sales return	500	
Office expenses	7,500	
Debtors	10,400	
Creditors		2,830
Irrecoverable debts	1,040	

Provisions for doubtful debts		200
Carriage inwards	360	
Bank Loan		600
Drawings	1,450	
Bank		1,560
Discount received		120
Discount allowed	320	
Selling expenses	2,700	
	<u>65,610</u>	<u>65,610</u>

The following adjustments are to be made as at 31st March 2016 before preparing financial statements.

- Stock as at 31st March 2016 was valued at Rs. 1730,000.
- A motor vehicle, which purchased on 1st of April 2013 to the cost of Rs.1,000,000 have sold on 31st March 2016 for Rs. 575,000 valued cheque.
- Cost of the land is Rs.10,000,000. Property Plant and Equipment should depreciate as follows on reducing balances method.
 - Building – 5% per annum
 - Office equipment – 20% per annum
 - Motor vehicles – 10% per annum
- Rs. 400,000 worth of debtors should be written off as bad debt.
- Provision for doubtful debtors should be maintained at 5% on final debtor balance.
- Prepaid rent expense as at 31st March 2016 was Rs.12,000.
- Accrual office expense as at 31st March 2016 was Rs. 110,000.

You are required to prepare;

- a. The Income Statement of Wilson Traders for the year ended 31st March 2016. (20 mark)
- b. The Statement of Financial Position as at 31st March 2016. (12 mark)

2. Mr. Peter forms a sole proprietorship named as ZY Stores on 1st April 2016. Following transactions were extracted from his books for first seven days of the business.

- Mr. Peter invests personal funds of Rs.200, 000 as startup capital on April 1st 2016.
- On 2nd April 2016 Mr. Peter withdraws Rs.7,000 for his personal consumption.
- On 3rd April 3rd ZY Stores spends Rs.5,000 to purchase furniture for the use of business.
- On 4th April 2016 ZY Stores borrowed money Rs.60,000 from its bank.
- On 5th April 2016 ZY Stores pays Rs.5,000 for advertisements that were run in recent days.
- On 6th April 2016 ZY Stores sold goods for its client Mr. Saman. The client is billed for the agreed amount of Rs.16,000 and the amount is due maximum for 20 days.
- On 7th April 2016 ZY Stores uses a temporary help service for 12 hours at a cost of Rs.300 per hour. ZY Stores will pay the invoice in next month.
- On 7th April 2016 ZY Stores received Rs.5,000 from the client billed on 6th April 2016.

- a. Show the effect of above transactions to expanded accounting equation. (08 mark)
- b. Journalize above transactions in the general journal. (09 mark)

3.

- a. State differences between Financial Accounting and Management Accounting. (03 mark)
- b. List any four (04) qualitative characteristics of Financial Statements. (02 mark)
- c. Briefly explain following accounting concepts.
- i. Business Entity concept
 - ii. Accrual Basis concept
 - iii. Going Concern concept
 - iv. Matching concept
- (3x4=12mark)

