

#### SRI LANKA INSTITUTE OF ADVANCED TECHNOLOGICAL EDUCATION

(Established in the Ministry of Higher Education, vide in Act No. 29 of 1995)

# Higher National Diploma in Management 1<sup>st</sup> Year, First Semester Examination – 2017 MAN1104 - Maintaining Financial Records

Instructions for Candidates:

Answer 05 Questions, including Question 01 and 02

No. of questions

: 06

No. of pages

: 07

Time

: 03 Hours

# Question 01

(i) List out, the accounting process

(03 Marks)

(ii) Mention five users (stakeholders) of accounting information with their information needs

(05 Marks)

(iii) List out four basic qualitative characteristics of accounting information

(04 Marks)

(iv) State, two underlying assumptions of accounting

(02 Marks)

(v) Identify source documents and prime entry books for the given transactions.

No.	Nature of the Transaction	Source Document/s	Prime Entry
	000,000		Book ni neso
01	Cash Receipts and cash Payments	box	. Discounts allo
02	Credit Purchases	Base of the same of the same	Discounts root Building rent
03	Credit Sales 000,000,1		Salarios
04	Return Inwards	south for Es 4.665 each	lusiment
05	Return Outwards	in against	Furniture and

(05 Marks)

- (vi) Following are some transactions that occurred in the newly formed Nimal Enterprises.
  - a) Nimal Invested a sum of Rs. 1,000,000/- in the business
  - b) Purchased office furniture to the value of Rs. 75,000/- on cash
  - c) A bank account was opened and deposited Rs. 500,000/-
  - d) Purchased goods from Kamal Enterprises on credit for Rs. 150,000/-
  - e) Nimal borrowed sum of Rs. 200,000/-from the bank
  - f) Paid Salaries for the staff Rs. 25,000/-

#### Required:

Record each transaction in the accounting equation given below.

	Office Furniture	+ Stocks	+ Bank Balance	+ Cash	=	Capital	+ Bank Loan	+ Trade payables
a)	V.	manues e	AMBOROM		1.7	da ao ami	TTEM ABM	1192
b)		Vo. 28 of 1995)	ition, vide in Act	of Higher Educ	rilair	(N) orb ni bertello	53e3)	Lymenter
c)	26,000,000,000				s u			Section of the contract of
d)			100 - 100 - 110c	a section of				
e)								
f)			TO 175 THE X		HTT:			

(sark Month of the Control of the Co

(Total 25 Marks)

#### Question 02

The Trial Balance extracted from Upul Trading Company as at 31.03.2017 is given below.

Account Name	Dr. (Rs.)	Cr. (Rs.)	]	
Inventory (as at 01.04.2016)	4,500,000			
Purchases	9,000,000	ey victor mot m	D ISILI	
Return Inwards gnimuos	1,500,000	javimban oza	State	
Return Outwards	ne emira baa sinear	2,000,000	Inebl	
Carriage inward	300,000			
Distribution expenses	200,000	antana antan A A A A A A A A A A A A A A A A A A A		
Cash at bank	1,350,000,			
Cash in hand	650,000	:		
Discounts allowed	000,000	Cash Receip	10	
Discounts received		1,000,000		
Building rent	350,000		AU	
Salaries	1,200,000	apted tibor()	60	
Insurance	900,000	eszal madzil	100	
Machinery	7,500,000			
Furniture and fittings	2,700,000		[CU	
Provision for depreciation at 01.04.2016;		er <del>agreement seed te seed to te de co</del> rrespondent en andere de constitution d		
Machinery		600,000		
Furniture and fittings went out at better	ansactions that doc	140,000	Folle	
Trade debtors	3,500,000			
Trade creditors senizud edit in the business	of Rs. 1,000,000/	4,500,000	Mim	
Provision for bad and doubtful debt	ture to the value o	130,000	Purc	
ed Rs. 500,000/- latiqaD	dizoqëb baa beg <b>e</b> q	4,850,000	ad A	
Drawings -\000,001.s. I for Rs. 150,000/-	1,000,000	iori zboog boses	om <sup>q</sup>	
Sales Anad and mo	of Rs. 200,000/- in	17,030,000	miV	
Bank Loan	saff Rs. 25,000/-	5,000,000	Pard	
Total	35,250,000	35,250,000		

# Additional information;

- a) Inventory is valued at 31.03.2017 as Rs. 2,800,000.
- b) Depreciation should be allocated on straight line method as follows;

  Machinery 5%

  Furniture and fittings 10%
- c) Bad debt to be written off Rs. 140, 000 and 5% provision should be provided for doubtful debt on net trade debtors.

(roting A) lamal of his

- d) Prepaid insurance at 31.03.2017, is Rs.150, 000.
- e) Accrued expenses at 31.03.2017; Salaries - Rs. 350,000, Building Rent - Rs. 150,000
- f) 5% interest have to be paid for the bank loan

# Required;

- Trading profit and loss account for the year ended 31.03.2017
- Balance Sheet as at 31.03.2017

(Total 30 Marks)

### Question 03

(i) Gayan Company is a dealer in wooden furniture. Credit sales and related transactions of the company during the month of March 2017 are given below.

Date	Transaction
03.03.2017	Sold five cupboards to Nilantha Ltd for Rs.25,000 each.
04.03.2017	A bed with a displayed selling price of Rs. 32,000 was sold to Shakthi . a 5% trade discount was allowed in selling this bed.
07.03.2017	Nilantha Ltd retuned one damaged cupboard
10.03.2017	Sold 10 Chairs to Susantha for Rs.4,000 each.
12.03.2017	Received cash from Shakthi.
16.03.2017	Sold two Dining tables to Chathuranga Ltd. The displayed selling price of a table was Rs. 28,000. A trade discount of 10% was allowed in selling these tables
20.03.2017	Received cash from Nilantha. In receiving cash a 5% discount was allowed.
25.03.2017	Cash Received from Susantha.

### Required;

• Record above transactions in the relevant Prime Books and transfer them to the ledger accounts.

(10 Marks)

(ii) Sunil Traders controls its petty cash payments on imprest system. The imprest amount is Rs.2,000. The petty cash on hand on 01 June 2017 was Rs.240. Following is a summary of the petty cash transactions for June 2017.

June 01 Petty cash restored to imprest 05 postage expenses 06 Stamps Purchased 180 09 Stationary purchased 10 Travelling expenses 15 Cleaning 20 Wages 250 28 Paid to Kamal (A creditor) 300			
postage expenses  Stamps Purchased  Stationary purchased  Travelling expenses  Cleaning  Wages  Petty cash restored to imprest  October 180  Stationary purchased  350  Travelling expenses  230  Wages  250	June	$^{\circ}$ Accined expenses $^{\circ}$	
Stamps Purchased 180  Stationary purchased 350  Travelling expenses 230 230 230 bas from games 15  Cleaning 75  Wages 250	01		
O9 Stationary purchased 350  Travelling expenses 230 and bus from gambar 75  Cleaning 75  Wages 250	05	<b>-</b>	
Travelling expenses 15 230 and but thou guidant 15 Cleaning 75 20 18 to 25 250	06	O 5% interest have 081°c paid for the ban barchased	
15 Cleaning 775 EU 18 18 28 199018 99081818 20 Wages 250	09	y purchased 350	
20 Wages 250	10	g expenses were the for the year sand loss a 230 and the year	
	15	Balance Sheet as at 31.03 <b>27</b> 17	
Paid to Kamal (A creditor) 300	20	250	
	28	amal (A creditor) 300	
29 Wages 225	29	225	
Three Wheel Charges 180	30	heel Charges 180	

# Required;

• Prepare Petty Cash book for the month of June 2017 with analysis columns for expenditure on Postage, Stationary, Cleaning, Wages, Travelling and Ledger.

(05 Marks)

(Total 15 Marks)

#### **Ouestion 04**

- (i) The bank account of the Sandareka Stores shows a debit balance of Rs.35,000/- as at 31<sup>st</sup> March 2017. But the balance as per the Bank Statement showed a favorable balance of Rs. 64,700/- at the same date. Upon investigation, the following facts were revealed.
  - a) Cheques issued to customers for Rs.52,500/- not presented for payment
  - b) Rs.12,500/- received as interest for fixed deposit credited to the bank account directly.
  - c) The total value of cheques deposited on the bank on 30<sup>th</sup> March not appeared in the bank statement, was Rs. 31,900
  - d) Rs.850/- has been debited as debit tax for the month.
  - e) Rs.550/-has been charged as bank charges.
  - f) Total of the credit side of the cash book has been under cast by Rs.2,000/-

# Required;

- Adjust the bank balance as per the cash book.
- Prepare the bank reconciliation statement for the month of March 2017.

(07 Marks)

- (ii) The trial balance of Joy and company did not balance. The difference 1,000 was credited to a suspense account. Later, the following errors were found.
  - a) A credit sales of Rs.2,000 has been credited to the sales account and also to the relevant debtor's account.
  - b) Goods sold to a customer during the year amounting to Rs.4,500 had been retuned. No entry was made in respect of this in Return Inward Journal.
  - c) A Payment of Rs.2,500 to a supplier wrongly credit to the supplier's account.
  - d) The sales account had been under casted by Rs.7,000
  - e) Although the interest income received Rs.3,300 was recorded correctly in the cash book it was posted into the interest income account as Rs.300.

# Required;

- Journal entries to rectify the above errors
- Suspense account

(08 Marks)

(Total 15 Marks)

#### Question 05

The following information is extracted from the books of Rex Ltd, a manufacturer of refrigerators, for the year ended 31st March 2017.

Item		the same date. Upon investigati
Stock as at 01.04.2016	Astronius ACP, CP (a C RAY Basses	office (as a support of the surface) (as a surface)
- Raw materials	150,	000
- Work-in-progress	o tizogob boxil rdi teor <b>38</b> fi	b) Rs 12,500/- receiv 000
- Finished goods	and edit no bat socre 245,	c) The total value of (1000
Purchase of raw materi	als 750,	000
Carriage inward	7,	statement, was Rs. 3000
Wages	ed as debt tax for the mon	d), Ks,850/- has been debite
- Direct	120,	000 Rs. 550/-has been character
- Indirect	150,	
Indirect Material	182 is easy book has been in	1) Total of the credit noon
Rent		
-Factory	46,0	quired: 000
-Office	42,	000
Insurance	ARROLL SELECTION OF THE	Adias and bare busined a
-Factory	o dinom self for the month o	Prepare the bank reconcilie 600
-Office	40,0	000
Electricity		
-Factory	64,0	000
-Office	32,0	000
Factory Supervision	80,0	000
Machinery -Cost	fill sonaled for his yi <b>250,0</b>	The trial balance of Joy at d000
Sales	baud stew stort e 1,450,0	suspense account. Later, ti c000

# Additional Information; of guillum a customer during the year amounting to guillum a customer during the year.

a) Stocks as at 31.03.2017

- Raw material Rs.85,000

- Work-in-progress Rs.42,000

- Finished goods Rs. 325,000

- b) Accrued Factory Supervision as at 31st March 2017 was Rs. 4,000.
- c) Machinery is depreciated at 10% annually on straight line method.

# Required;

- Prepare Manufacturing and Trading Account for the year ended 31<sup>st</sup> March 2017, showing clearly the following information
  - Prime Cost
  - Production cost
  - Gross Profit

(15 Marks)

(i) State two differences between Receipts and Payments account and Income and Expenditure account

(02 Marks)

(ii) Summarised Receipts and Payments account of Kegalle Swimming Club for the year ended 31st March 2017 was as follows;

Kegalle Swimming Club Receipts and Payments account for the year ended 31st March 2017

	Rs.		Rs.
Cash and bank balance c/f	2,600	Rent Expenses	2,250
Members' subscription	10,500	Legal fee	1,600
Sale of swimming meet tickets	11,250	Swimming coacher's fee	4,500
Donations (Revenue Nature)	3,550	Maintenance cost of pool	6,100
		Prizes for swimming meet	7,200
		Stationary and printing costs	1,800
		Balance c/d	4,450
	27,900	· ·	27,900
¥			

The details of assets and liabilities as at 31st March are given below;

	Rs.	Rs.
	31.03.2017	<u>31.03.2016</u>
Equipment (written down value)	1,250	1,850
Subscriptions in arrears	750	1,150
Subscriptions received in advance	150	270
Prepaid Rent	250	100
Creditors-Prizes for swimming meet	300	150
Stock of Prizes of swimming meet	420	530

#### Required;

- Swimming Meet profit and loss Account
- Members Subscription Account
- Income and Expenditure account of Kegalle Swimming Club for the year ended 31st March 2017.

(13 Marks)

(Total 15 Marks)