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✓ Revision Exercise - Grade 12

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G.C.E A/L Examination

33 - Accounting

New Syllabus

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PREFACE

This paper has been created according to the prototype paper structure which has been issued by the department of examination of Sri Lanka in 2019 and the G.C.E Advanced level examination paper in 2020. We are expecting to maintain high-level quality in this paper by getting supervision of chartered accountants. The intention of this project is to ensure the equal rights of the education to all the students by providing high quality study materials in free of charge, and also eliminating the traditional barriers to the education by giving support to the teachers.

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REVISION EXERCISE

Grade 12

(1) Which of the following statement(s) is/are correct regarding general purpose financial statements?

- A. It provides information to external parties for decision making.
- B. It is prepared for planning and controlling the operational activities of the organisation.

- 1) A only
- 2) B only
- 3) A and B only
- 4) B and C only
- 5) All A, B and C.

(2) The main purpose of financial accounting is to,

- 1) Prepare accounts in accordance with accounting standards.
- 2) Provide necessary information to auditors.
- 3) Provide necessary economic information to the stakeholders of the company for decision making.
- 4) Present information to the management for decision making.
- 5) Provide necessary information to the external stakeholders of the company for decision making.

(3) The following are several values of the statement of financial position of Nethmi Business as at 01.01.2024.

Non-current assets	+	Current assets	=	Non-current liabilities	+	Current liabilities	+	Equity
600	+	200	=	200	+	100	+	500

The following transactions have occurred on 02nd January 2024.

- I. The bank loan instalment of Rs. 52,000 was paid. The interest included in it was Rs. 2,000.
- II. A stationery stock of Rs. 20,000 was consumed.
- III. Received Rs. 18,000 from a debtor. Discounts allowed is 10%.

What is the correct accounting equation after the above transactions?

Rs. 000								
Non-current assets	+	Current assets	=	Non-current liabilities	+	Current liabilities	+	Equity
1) 600	+	146	=	148	+	100	+	500
2) 600	+	146	=	150	+	100	+	496
3) 600	+	126	=	148	+	100	+	478
4) 600	+	126.2	=	150	+	100	+	476.2
5) 600	+	126	=	150	+	100	+	476

- (4) A business sold goods costing Rs. 250,000 on credit. The sales value of this stock is Rs. 354,000 inclusive of 18% VAT. The accounting equation that correctly indicates the effect of this transaction is,

	Inventory	+	Debtors	=	Equity +	Liabilities
1)	(250,000)	+	354,000	=	95,000	+ 54,000
2)	(250,000)	+	354,000	=	50,000	+ 54,000
3)	(250,000)	+	354,000	=	45,000	+ 54,000
4)	(250,000)	+	354,000	=	54,000	+ 50,000
5)	(250,000)	+	354,000	=	104,000	+ 0

- (5) Amila Business purchased goods worth Rs. 50,000 from Kapila Business on credit on 01.01.2024. Rs. 15,000 worth of goods were sent back since they were not in line with the relevant specifications. The balance was paid using a cheque subjected to a discount of 10%.

Which answer gives the respective source documents used by Kapila Business for the above transactions?

- 1) Invoice, credit note, cash receipt
- 2) Invoice, debit note, voucher
- 3) Invoice, debit note, journal voucher
- 4) Invoice, debit note, bank statement
- 5) Voucher, debit note, voucher

- (6) A business purchased goods worth Rs. 600,000 on credit. Out of that, Rs. 100,000 worth of goods were returned to the supplier since they were damaged. A discount of Rs. 20,000 was received when paying cash. The source documents to record these transactions in the prime entry books of the business are,

	Credit purchases	Returns outwards	Cash paid	Discounts received
1)	Invoice	Journal voucher	Cash receipts	Voucher
2)	Invoice	Credit note	Voucher	Payment voucher
3)	Invoice	Debit note	Voucher	Voucher
4)	Invoice	Debit note	Payment voucher	Payment voucher
5)	Invoice	Debit note	Payment voucher	No source document.

- Use the following information to answer the next three questions.

Details relating to credit sales made by Nimal to Kavinda are given below.

Date	Transaction
03.01.2024	Credit sales of goods with a marked price of Rs. 90,000 subjected to a trade discount of 10%. (This marked price has been calculated by keeping a mark-up of 20% on cost).
05.01.2024	Returns inwards of goods with a marked price of Rs. 8,100.
31.01.2024	The balance payable was settled by Kavinda.

- (7) The statement which depicts the source documents used to record these transactions respectively in Nimal's Business is,
- (1) Invoice, credit note, cash receipt.
 - (2) Invoice, debit note, cash receipt.
 - (3) Invoice, journal voucher, cash receipt.
 - (4) Invoice, credit note, journal voucher.
 - (5) Invoice, debit note, journal voucher
- (8) The prime entry books used to record these transactions in Kavinda's Business respectively are,
- (1) Purchases journal, general journal, cash payments journal
 - (2) Purchases journal, returns inwards journal, cash payments journal
 - (3) Sales journal, returns inwards journal, cash receipts journal
 - (4) Sales journal, returns inwards journal, general journal
 - (5) Purchases journal, general journal, general journal
- (9) The net effect of these transactions on the net profit of Nimal's Business is,
- | | | |
|-----------------------------|------------------------------|----------------------------|
| (1) Increases by Rs. 6,000 | (2) Increases by Rs. 15,000. | (3) Increases by Rs. 4,650 |
| (4) Increases by Rs. 13,650 | (5) Increases by Rs. 14,580. | |
- (10) The worksite of Asiri PLC was contaminated due to its manufacturing operations and the Central Environmental Authority requested them to clean the worksite. It was decided to make a provision of Rs. 200,000 for the year ending 31.03.2023 for this purpose. Which of the following accounting concepts affects this incident?
- A. Accounting entity B - Accrual C - Prudence D - Matching
- 1) A, B and C
 - 2) A, C and D
 - 3) B, C and D
 - 4) C only
 - 5) All A, B, C, and D
- (11) Which of the following accounting concepts bases the non-recognition of sales income in the income statement at the point of distributing goods to customers?
- | | | | | |
|-------------|-------------|----------------|-------------|------------|
| 1) Accruals | 2) Matching | 3) Periodicity | 4) Prudence | 5) Accrual |
|-------------|-------------|----------------|-------------|------------|
- (12) A warranty provision of Rs. 50,000 was made when preparing the income statement and statement of financial position of Nadun PLC on 31.03.2023. The accounting concept that directly connects with this provision is,
- | | | |
|----------------|------------------------|------------------|
| 1) Consistency | 2) Prudence | 3) Going concern |
| 4) Periodicity | 5) Substance over form | |
- (13) The qualitative characteristic "relevance" is secured by valuing assets at the current market price. However, the accounting concept that is breached from this is,

- | | | |
|----------------------|--------------------|-------------|
| 1) Accrual | 2) Matching | 3) Prudence |
| 4) Money measurement | 5) Historical cost | |

(14) The accounting concept that bases the recognition of depreciation of property, plant and equipment as an expense in the income statement is,

- | | | |
|----------------|------------------|-------------|
| 1) Entity | 2) Going concern | 3) Prudence |
| 4) Realisation | 5) Accrual | |

(15) Sales advances are not recognised as income since the accrual has not occurred although cash has been received. Which of the following accounting concept(s) is/are in accordance with this?

- | | | | |
|---------------------------|--------------|-------------------------|-----|
| A- Accrual
Realisation | B - Matching | C - Substance over form | D - |
|---------------------------|--------------|-------------------------|-----|

- | | | |
|------------------|------------------|------------|
| 1) A only. | 2) B only. | 3) C only. |
| 4) A and D only. | 5) A and B only. | |

(16) In which of the following ways are the returns inwards, returns outwards, drawings and provision for doubtful debts accounts are classified respectively?

- 1) Expenses, income, expenses, assets
- 2) Income, expenses, expenses, assets
- 3) Income, expenses, equity, liabilities
- 4) Income, assets, equity, assets
- 5) Income, expenses, equity, assets

(17) The statement that includes the conditions to recognise an asset in the statement of financial position is,

- A- A result of a past event.
- B- Legally owned by the entity.
- C- Presently controlled by the entity.
- D- Inflow of future benefits.

- | | | |
|--------------------|----------------------|-----------------|
| 1) A, C and D only | 2) A and C only | 3) B and C only |
| 4) A and B only | 5) All A, B, C and D | |

(18) A business registered for Value Added Tax (VAT) sold goods on cash with a marked price of Rs. 150,000 exclusive of VAT. If the VAT rate is 18% and trade discounts are Rs. 30,000, how much is the sales income of this business?

- | | | |
|----------------|----------------|----------------|
| 1) Rs. 120,000 | 2) Rs. 150,000 | 3) Rs. 138,000 |
| 4) Rs. 172,500 | 5) Rs. 132,000 | |

(19) The balance of the bank account and the balance of the bank statement as at 31.03.2023 of a business did not agree due to the following reasons.

- A. Unpresented cheques
- B. Cheques mistakenly credited by the bank (Cheques belonging to another accountholder)
- C. Dishonoured cheques

Which item(s) will be included in the bank reconciliation statement prepared for the month of March 2023?

- (1) A only
- (2) B only
- (3) A and B only
- (4) A and C only
- (5) C only.

(20) The adjusted bank balance of Amila Business as at 31.03.2023 is a debit balance of Rs. 48,000. The balance of the bank statement on that day was a debit balance of Rs. 52,000. The answer that includes the reason for the difference of the two balances is,

- 1) Unrealised cheques of Rs. 102,000 and unpresented cheques of Rs. 2,000.
- 2) Unpresented cheques of Rs. 2,000 and the insurance premiums paid by the bank on standing order Rs. 100,000 and bank charges of Rs. 3,000.
- 3) Unpresented cheques of Rs. 12,000 and unrealised cheques of Rs. 8,000.
- 4) Unrealised cheques of Rs. 4,000.
- 5) Unpresented cheques of Rs. 100,000.

Use the following information to answer the next two questions.

➤ The balance of the debtors control account of Nimal Business as at 31.03.2023 was Rs. 98,000 and the total of the debtors' list of balances prepared on that day was a different value. A later investigation revealed the following.

- A bad debt written off from a debtor of Rs. 3,000 has not been recorded in his personal account.
- A sales invoice of Rs. 2,500 has been completely omitted from the books of accounts.
- Returns inwards of Rs. 8,000 has not been recorded in the debtors control account.
- A debit debtor balance of Rs. 1,000 had been recorded as a credit balance in the debtors' list of balances.

(21) The debtors balance to be shown in the statement of financial position as at 31.03.2023 is,

- | | | |
|----------------|---------------|----------------|
| 1) Rs. 106,000 | 2) Rs. 93,500 | 3) Rs. 100,500 |
| 4) Rs. 92,500 | 5) Rs. 90,000 | |

(22) The total of the debtors list of balances as at 31.03.2023 before making adjustments and the correct total of the debtors list of balances is,

**Total of debtors list of balances
(before adjustments)**

**Total of debtors list of balances
(correct)**

1)	Rs. 89,500	Rs. 98,000
2)	Rs. 91,500	Rs. 92,500
3)	Rs. 91,000	Rs. 92,500
4)	Rs. 91,500	Rs. 89,500
5)	Rs. 95,000	Rs. 89,500

(23) Assets and liabilities of a business are given below.

	31.03.2023 (Rs. 000)	31.03.2022 (Rs. 000)
Assets	5,200	2,800
Liabilities	1,100	900

It was later revealed that the inventory included in assets as at 31.03.2023 has been overstated by Rs. 100,000. Drawings during the year were Rs. 150,000 and the additional capital was Rs. 300,000. The correct net profit for the year is,

- | | | |
|------------------|------------------|------------------|
| 1) Rs. 1,900,000 | 2) Rs. 1,850,000 | 3) Rs. 2,250,000 |
| 4) Rs. 1,950,000 | 5) Rs. 2,050,000 | |

(24) Rs. 250,000 spent on equipment repair at the beginning of the year has been credited to the equipment account as Rs. 200,000. Equipment are depreciated at 10% per annum on cost.

What is the balance of the suspense account that resulted from this?

- | | | |
|----------------|----------------|----------------|
| 1) Rs. 470,000 | 2) Rs. 450,000 | 3) Rs. 430,000 |
| 4) Rs. 250,000 | 5) Rs. 500,000 | |

(25) The following information have been extracted from the books of Dolphin Swimming Club.

	01.04.2022 (Rs.)	31.03.2023 (Rs.)
Subscription in arrears	5,000	10,000
Subscription received in advance	2,000	-
<u>Subscription received during the year 2022/23</u>		
For 2021/22	4,000	
For 2022/23	30,000	
For 2023/24	5,000	

The subscription income to be recorded in the income and expenditure account for the year 2022/23,

- | | | |
|---------------|---------------|---------------|
| 1) Rs. 46,000 | 2) Rs. 41,000 | 3) Rs. 51,000 |
| 4) Rs. 30,000 | 5) Rs. 35,000 | |

(26) Assets and liabilities of Samagi Youth Association was as follows.

Description	As at 31.03.2023 (Rs.)	As at 31.03.2022 (Rs.)
Equipment	15,000	16,000
Subscription in arrears	2,000	4,000
Subscription received in advance	3,000	6,000
Library fund	45,000	25,000
Bank	50,000	20,000

What is the surplus or deficit for the year ending 31.03.2023? (Use the net assets basis)

- | | | |
|---------------|---------------|---------------|
| 1) Rs. 19,000 | 2) Rs. 10,000 | 3) Rs. 29,000 |
| 4) Rs. 50,000 | 5) Rs. 59,000 | |

Use the following information to answer the next three questions.

Nethma and Nethmi commenced a partnership on 01.04.2022 based on the following agreements.

- Nethma invested Rs. 5,000,000 as capital.
- Nethmi invested a distribution vehicle valued at Rs. 800,000 and cash of Rs. 3,000,000 as capital.
- Annual salaries
Nethma - Rs. 600,000
Nethmi - Rs. 500,000
- Paying a 10% annual interest on capital to each partner.
- Sharing profits and losses equally.

A net profit of Rs. 2,100,000 was earned for the year ending 31.03.2023 and the partners had obtained 50% of the interest of capital and salaries entitled to them in cash.

Madhura was admitted to the partnership on 31.03.2023 as a new partner. He brought Rs. 2,000,000 as capital on that day. The goodwill of the partnership on that day was estimated as Rs. 900,000 and it should be adjusted through the partners' capital accounts. The profits and losses of the new partnership should be divided among Nethma, Nethmi and Madhura in the ratio of 3:2:1 respectively.

(27) Current account balances of Nethma and Nethmi as at 31.03.2023

	Nethma (Rs.)	Nethmi (Rs.)
1)	1,105,000	945,000
2)	610,000	420,000
3)	610,000	500,000
4)	1,160,000	940,000
5)	60,000	60,000

(28) Partners' capital account balances as at 01.04.2023

	Nethma (Rs.)	Nethmi (Rs.)	Madhura (Rs.)
1)	5,000,000	3,950,000	1,850,000
2)	5,000,000	3,800,000	2,000,000
3)	5,000,000	3,000,000	2,000,000
4)	5,000,000	3,800,000	1,850,000
5)	5,000,000	3,650,000	2,150,000

(29) What is the increase in equity of the partnership as at 31.03.2023?

- 1) Rs. 11,910,000
- 2) Rs. 4,100,000
- 3) Rs. 2,000,000
- 4) Rs. 3,110,000
- 5) Rs. 10,800,000

• Use the following information to answer the next two questions.

On 01.04.2022, Sunil retired from the partnership business maintained by Anil, Ranil and Sunil sharing profits and losses in the ratio of 2:2:1. Goodwill is adjusted through capital accounts and no other adjustment has been made to capital accounts. It was decided that Anil and Ranil continue the partnership as equal partners and to pay an annual salary of Rs. 240,000 to Ranil. Ranil has obtained salaries of Rs. 200,000 during the year in cash. Balances of the partners' capital and current account are as follows.

	As at 31.03.2023 (Rs.)		As at 31.03.2022 (Rs.)	
	Capital accounts	Current accounts	Capital accounts	Current accounts
Anil	420,000	260,000	500,000	100,000
Ranil	420,000	300,000	500,000	100,000
Sunil	-	-	300,000	100,000

(30) What is the goodwill share entitled to Sunil as at 01.04.2022 and the total equity of the partnership as at 31.03.2023?

Sunil's goodwill share
As at 01.04.2022 (Rs.)

Total equity
As at 31.03.2023 (Rs.)

- | | |
|------------|-----------|
| 1) 160,000 | 1,600,000 |
| 2) 160,000 | 820,000 |
| 3) 80,000 | 820,000 |
| 4) 160,000 | 1,400,000 |
| 5) 80,000 | 1,400,000 |

(31) The attributable net profit for the year ending 31.03.2023 is

- (1) Rs. 320,000 (2) Rs. 560,000 (3) Rs. 360,000
(4) Rs. 520,000 (5) Rs. 240,000

Use the following information to answer the next three questions.

On 01.04.2022, Sumedha was admitted as a new partner to the partnership business maintained by Mahela and Asela sharing profits and losses at the ratio of 3:2. The partners' current accounts prepared for the year ending 31.03.2023 is as follows.

Current accounts

		Mahela	Asela	Sumedha		Mahela	Asela	Sumedha	
Drawings	Interest on capital paid	10,000	10,000	-	Balance 01.04.2022	50,000	30,000	-	
		15,000	10,000	5,000	Interest on capital	30,000	20,000	10,000	
					Salaries	60,000	48,000	36,000	
					Housing rent	72,000	-	-	
		Balance 31.03.2023	207,000	98,000	51,000	Profit share	20,000	20,000	10,000
			232,000	118,000	56,000		232,000	118,000	56,000

Additional information.

- A. The balances of partners' capital accounts are entitled to an annual interest of 10%.
B. Goodwill was adjusted through partners' capital accounts. No entries have been made in the capital accounts except for the capital and goodwill portion brought in by the new partner.
C. Partners' capital accounts as at 01.04.2022.
Mahela - Rs. 280,000
Asela - Rs. 200,000

(32) What is the total goodwill of the partnership on the day the new partner was admitted?

- 1) Rs. 480,000 2) Rs. 80,000 3) Rs. 40,000
4) Rs. 20,000 5) Rs. 100,000

(33) What is the net profit of the partnership for the year ending 31.03.2023?

- 1) Rs. 406,000 2) Rs. 50,000 3) Rs. 356,000
4) Rs. 254,000 5) Rs. 326,000

(34) The total equity of the partnership as at 31.03.2023 is,

- 1) Rs. 956,000 2) Rs. 600,000 3) Rs. 480,000
4) Rs. 356,000 5) Rs. 80,000

(35) Indicate the most suitable accounting concept for each of the following instances.

- | | |
|--|-------|
| 1) Valuing year-end inventory at the lower of the cost and net realisable value. | ..... |
| 2) Recording sales advances as a liability. | ..... |
| 3) Recognising an asset acquired on a lease basis in the statement of financial position. | ..... |
| 4) Recording land at cost in the books of accounts even though the current market value increases. | ..... |

(36) State the source document and prime entry book required to record each of the following transactions.

	Transaction	Source document	Prime entry book
1)	Purchasing goods on credit	.....	.....
2)	Discounts allowed	.....	.....
3)	Payment of cash to a creditor	.....	.....
4)	Returning goods to a creditor	.....	.....

(37) Indicate whether the following statements are true or false by marking \checkmark in the relevant column.

	Statement	True	False
A-	All overhead costs should be taken into consideration when calculating production cost.	.....	.....
B-	Provision for doubtful debts are in accordance with prudence concept.	.....	.....
C-	Contingent assets should be recognised in financial statements.	.....	.....
D-	Deducting variable cost from sales income gives the contribution.	.....	.....

(38) State the correct classification of the following accounts maintained in the general ledger.

Account	Classification
A – Impairment losses
B – Trade receivables
C – Revaluation reserves
D – Unearned income received in cash

(39) The balance of the bank statement of a company as at 31.03.2023 was Rs. 180,000. The balance of the bank account of the company on that day was different than this. Reasons for the differences are as follows.

- Standing order payments by the bank Rs. 8,000.
- A cheque of Rs. 25,000 deposited in the bank has not been realised yet.
- A cheque issued for Rs. 42,000 has not been presented yet.
- A cheque Rs. 12,000 deposited in the bank has been dishonoured.

Calculate the following as at 31.03.2023.

- a) Adjusted bank balance - Rs.....
- b) The company's bank balance before adjustments - Rs.....

(40) The following information has been provided regarding a business for the year 2023.

Purchases - Rs. 300,000
Net increase in inventory - Rs. 50,000
Gross profit ratio - 20% (on selling price)

What are the values of the following items for the year 2023?

- A. Sales - Rs.....
- B. Cost of sales - Rs.....
- C. Gross profit - Rs.....

(41) Ruwan was admitted to the partnership maintained by Sandun and Nuwan sharing profits and losses at the ratio of 3:2 respectively. The new partnership shared profits and losses equally and the amount of cash brought in by Ruwan as his goodwill share is Rs. 10,000. Goodwill is adjusted through partners' capital accounts. The journal entries to record the goodwill portion brought in by Ruwan are (narration is not required),

.....

.....

.....

.....

(42) A business has overstated the total of the purchases journal for the month of January 2024 by Rs. 20,000. The business maintains the ledger according to the sectional balancing method. The journal entries to rectify this error are (narration is not required),

.....

.....

.....

.....

Use the following information to answer the next two questions.

In Suneth PLC which commenced operations on 01.04.2022, the total of the debit balances of the list of balances of the debtors sub ledger as at 31.03.2023 was Rs. 95,000 and there was credit balance of Rs. 5,000 as well. This did not agree with the debit balance of the debtors control account on that day. Reasons for the difference are as follows.

1. Discounts allowed of Rs. 10,000 has not been recorded in the debtors control account and the discounts allowed account.
2. Rs. 4,000 set-off for creditors has not been recorded in the debtors control account.

3. The total of the sales journal Rs. 32,000 has been recorded in the accounts as Rs. 23,000.

This business provides for impairment losses at 10% on the debtors balance at the end of the year.

- (43)
- I The balance of the debtors control account as at 31.03.2023
Rs.....
- II Journal entries for the provision of impairment losses (doubtful debts)
..... Dr
..... Cr

(44) What is the effect on the net profit of Suneth PLC for the year ending 31.03.2023 from the above rectification of errors?
.....

(45) The equity of Super Star Sports Club as at 01.04.2022 is as follows.

Accumulated fund	Rs. 300,000
Building fund	Rs. 420,000
Life membership fund	Rs. 180,000

- Constructions worth Rs. 150,000 have been made using the building fund during the year ending 31.03.2023.
- Transfers from the life membership fund to the income and expenditure account were Rs. 30,000.
- The value of the three-wheeler received as a donation on 01.04.2022 was Rs. 500,000 and it is to be recognised in income within 5 years.
- The surplus for the period ending 31.03.2023 is Rs. 40,000. (Before adjusting 1, 2 and 3 above).

Indicate the equity of the sports club as at 31.03.2023 in the following note.

Accumulated fund as at 01.04.2022	Rs.....
Surplus	Rs.....
Building fund	Rs.....
Life membership fund	<u>Rs.....</u>
	<u>.....</u>

REVISION EXERCISE

Grade 12

01. Amali maintains a retail business. The draft income statement for the year ending 31.03.2023 reported a profit of Rs. 1 000 000. The draft statement of financial position as at 31.03.2023 shows a cash balance of Rs. 200 000. The entire books of accounts have not been properly maintained. It was later revealed that the following transactions were not recorded in the books of accounts.

No. Transaction

1. Goods costing Rs. 50 000 were sold for Rs. 80 000 on credit.
2. Returns inwards of goods costing Rs. 5 000 which were sold for Rs. 10 000 on credit.
3. Obtained a bank loan of Rs. 400 000 on 01.07.2022 for an annual interest of 12%. The interest has not been paid yet.
4. Purchasing a small motor vehicle on 31.03.2023 for Rs. 200 000 on cash.
5. Operational expenses of the business were Rs. 14 000. Rs. 8000 of this was paid by Amali from her personal money. The rest was paid using cash of the business.
6. Amali's life insurance premium of Rs. 15 000 was paid using cash of the business.
7. Donating goods costing Rs. 20 000.
8. Rs. 50 000 owed from a debtor was set off against Rs. 80 000 which was payable to him as a creditor and the rest was paid in cash.
9. Receipt of cash relating to transaction no. 1 after deducting a discount of 10%.
10. Receipt of Rs. 10 000 written off as bad debts in a previous year.

1. Show the effect of these transactions (with values) using the accounting equation and in front of each value, indicate (+) if it increases and (-) if it decreases. (Use a format similar to the one given below).

Transaction no.	Assets				Liabilities			Equity
	Property, plant and equipment	Inventory	Trade receivables	Cash	Long term loan	Trade payables	Other payables	

2. Adjusted cash balance as at 31.03.2023.
3. Adjusted profit for the year ending 31.03.2023 (Based on the net effect of transactions on equity).

02. The bank statement prepared by Neomal Lanka Ltd. on 01.01.2024 is as follows.

Bank reconciliation statement	Rs.'000
Bank balance as per the cash book	400
+ Unpresented cheques	80
	480
- Unrealised cheques	(120)
Bank balance as per the bank statement	360

The following additional information is provided to you.

1. Cheques of Rs. 500 000 has been issued during the month of January 2024, but out of them only Rs. 380 000 worth of cheques had been presented to the bank during January.
2. Cheques worth of Rs. 600 000 were deposited in the bank during the month of January 2024, and out of that, cheques worth of Rs. 440 000 had been realised by 31.01.2024.
3. Transactions during the month of January 2024 which were not recorded in the cash book and revealed through the bank statement are as follows.

	Rs.'000		Rs.'000
			0
Debtor remittances	40	Deposited cheques dishonoured	30
Bank charges	15	Standing order payments – loan instalments	50

4. The unrealised cheques as at 01.01.2024 were realised during the month of January 2024 and only Rs. 50 000 out of the unpresented cheques as at 01.01.2024 were presented to the bank during the month of January 2024.

Required,

1. Bank account prepared for the month of January 2024 before receiving the bank statement for the month.
 2. Rectify the bank account.
 3. Bank reconciliation statement as at 31.01.2024.
03. Supun is the owner of a sole proprietorship. The following financial statement is prepared by the new accounts assistant of the business.

		Rs.'000
Statement of Financial Position as at 31.03.2023		
Property, plant and equipment		800
Inventory	300	
Debtors	100	
Cash in hand and at bank	50	
Suspense account	50	500
		<u>1300</u>
Capital	700	
Net profit	450	1150
Creditors		150
		<u>1300</u>

The following errors were revealed later.

1. Discounts received of Rs. 4 800 has been recorded in the ledger accounts as Rs. 8 400.
2. Cash sales of Rs. 20 000 has been credited to the sales account twice.
3. Even though Rs. 20 000 paid to creditors and rates paid of Rs. 10 000 were correctly recorded in the cash payments journal and the cash control account, it has not been recorded in the other relevant accounts.

Required,

1. Journal entries to rectify the above errors.
 2. Statement of rectification of net profit.
 3. Statement of financial position as at 31.03.2023 after the rectification of errors.
04. Few extracts of the accounts prepared by the novice accounts clerk of Asitha and Lasitha Partnership for the year ending 31.03.2023 is as follows.

	Dr (Rs.)	Cr (Rs.)
Balances as at 01.01.2022		
Capital accounts	- Asitha	350 000
	- Lasitha	250 000
Current accounts	- Asitha	12 000
	- Lasitha	8 000
Inventory as at 31.03.2023	80 000	
Loan from Visitha	-	50 000
Profit before appropriation	-	252 000

It was revealed by the internal audit that the following errors had been made in calculating the profit.

1. Not recording annual interest on Visitha's loan Rs. 5 000.
 2. Drawings made by Asitha and Lasitha Rs. 10 000 and Rs. 8 000 respectively have been recorded as expenses.
 3. Overstating inventory as at 31.03.2023 by Rs. 24 000.
 4. Visitha invested a stores building owned by him worth Rs. 160 000 in the business on 01.10.2022, and it was rented out for Rs. 12 000 per year and rent income of 2 years were received. Out of this, the rent income for one year had been adjusted to the profit.
 5. Property, plant and equipment as at 01.04.2022 were Rs. 100 000 and equipment worth Rs. 200 000 were acquired on 01.10.2022. Property, plant and equipment are depreciated at 10% per annum on cost.
- Visitha was admitted on 01.04.2022 as a new partner to the partnership maintained by Asitha and Lasitha sharing profits and losses equally.

The following additional information is also provided to you.

- A- Visitha brought in Rs. 150 000 as capital on 01.04.2022, and the goodwill on that day was estimated as Rs. 90 000 and it was agreed to adjust this through the capital accounts.
- B- Visitha's capital is entitled to an interest of 10% per annum and interest on capital has not been paid to him until 31.03.2023.
- C- It was agreed to transfer Visitha's loan account to his capital account from 31.03.2022.
- D- Details relating to Asitha and Lasitha's interest on capital and salaries as at 31.03.2023 are given below.

	Asitha (Rs.)	Lasitha (Rs.)
Interest on capital paid	12 000	10 000
Interest on capital payable	24 000	16 000
Salaries paid	30 000	20 000
Salaries payable	15 000	15 000

Required,

1. Journal entries to rectify the errors (Narrations are not required).
2. Appropriation of the profit or loss for the year ending 31.03.2023.
3. Partners' capital and current accounts for the year ending 31.03.2023.

05. The following details relating to Nestle Margarine Business which commenced operations on 01.03.2023 are provided to you.

Summary of the debtors ledger

(All values are in Rs. '000)				
Debtor	Sales	Discounts allowed	Cash receipts	Balance as at 31.03.2023
Amila	2 000	200	1 400	400
Kamanthi	1 000	100	700	200
Dushman	500	-	-	500
Total	<u>3 500</u>	<u>300</u>	<u>2 100</u>	<u>1 100</u>

Summary of the creditors ledger

(All values are in Rs. '000)				
Creditor	Purchases	Discounts received	Cash payments	Balance as at 31.03.2023
Wameesha	1 400	100	700	600
Nadeesha	800	50	250	500
Anusha	480	-	-	480
Total	<u>2 680</u>	<u>150</u>	<u>950</u>	<u>1 580</u>

Additional information :

- The balances of the debtors ledger and the creditors ledger as at 31.03.2023 did not tally with the balances of the control accounts on that day. A later investigation revealed the following.
 - The total of the sales journal had been posted to the debtors control account and the sales account as Rs. 350 000.
 - Discounts allowed to debtors had been debited to the debtors control account. However, it had been correctly recorded in the discounts allowed account.
 - The total of the purchases journal had been posted to the creditors control account and purchases account as Rs. 6 280 000.
 - Returns outwards to Anusha Rs. 30 000 had not been recorded in her account in the creditors ledger. It had been debited to the creditors control account and credited to the sales account in the general ledger.
- The loss reported in the draft income statement of the business for the month ending 31.03.2023 (before rectifying the above errors) is Rs. 4 000 000.

Required,

- Journal entries required to rectify the above errors.
 - Adjusted profit or loss for the year ending 31.03.2023.
 - Debtors control account for the month of March 2023 before rectifying the above errors.
 - Creditors control account for the month of March 2023 after rectifying the above errors.
06. Sunimal commenced a vehicle spare parts selling business on 01.03.2023 in a small area of his father's factory and trading land by investing Rs. 400 000. Furthermore, a small lorry worth Rs. 600 000 was also purchased on that day. He opened a bank account under the business' name and all cash transactions were made through that account. The following transactions occurred in the first operating month.

Transaction no.

Transactions

- Spare parts of Rs. 200 000 were purchased on cash.
- Spare parts costing Rs. 120 000 were sold for Rs. 200 000 on cash.
- Spare parts of Rs. 300 000 were purchased on credit.
- Spare parts stock of Rs. 50 000 were returned to the suppliers due to being damaged.
- A computer worth Rs. 300 000 was purchased on credit on 15.03.2023. This amount should be paid through 15 monthly instalments.

6. Spare parts worth Rs. 150 000 were sold for Rs. 300 000 on credit.
7. Marketing supervisor's salary of Rs. 30 000 was paid in cash.
8. Rs. 40 000 was obtained from the business for Sunimal's personal use.
9. The amount payable to spare parts suppliers was paid subjected to a discount of 10% on the balance payable.
10. The amount receivable from debtors was received after deducting a discount of 10%.

Additional information:

The rates bill for the month of March 2023 of Rs. 6 000 was received on 12.04.2023.

The property, plant and equipment of the business should be depreciated at 12% per annum on the straight-line method.

Required:

1. Show the effect of the transactions 01 to 10 above (with values) using the accounting equation, and indicate in front of each value whether it increases (+) or decreases (-).
2. Income statement of the business for the month ending 31.03.2023.
3. Composition of equity as at 31.03.2023 using the format given below.

Opening capital		
Period	+ Profit	_____
	- Loss	_____
- Drawings		_____
Equity as at 31.03.2023		_____

07. Vimal was admitted as a partner on 01.04.2022 to the partnership business maintained by Amal and Kamal sharing profits and losses at the ratio of 3 : 2 respectively. Upon this, goodwill was estimated as Rs. 60 000, and the computer and equipment worth Rs. 100 000 and cash of Rs. 50 000 brought in by Vimal as his capital and goodwill share had been credited to an account under Vimal's name.

They agreed on the following conditions on that day.

1. Paying an annual interest on capital of 10% on the adjusted capital balances of the partners.
2. Amal, Kamal and Vimal sharing profits and losses in the ratio of 3 : 2: 1 respectively.
3. Paying a monthly salary of Rs. 10 000 each to Amal and Vimal for the services rendered.
4. Adjusting goodwill through capital accounts.

The trial balance prepared by the accountant of Amal, Kamal and Vimal partnership as at 31.03.2023 is given below.

Amal, Kamal and Vimal partnership
Trial balance as at 31.03.2023

	Dr	Cr
Other	216	
Building rent	51	
Distribution expenses	169	
Current assets	214	
Property, plant and equipment	650	
Accumulated depreciation of PPE (as at 01.04.2022)		50
Gross profit		480
Loan account - Kamal		100
Capital accounts as at 01.04.2022 - Amal		210

	- Kamal		176
Current accounts as at	- Amal		40
01.04.2022			
	- Kamal		25
Vimal's account			150
Current liabilities			65
		1 300	1 300

Additional information:

1. Property, plant and equipment are depreciated at 10% per annum on the straight-line method.
2. Amal and Vimal had obtained salaries for the first 6 months, and it is included in the salaries account.
3. Amal, Kamal and Vimal have made goods drawings during the accounting period. Their costs are Rs. 10 000, Rs. 5 000 and Rs. 5 000 respectively. No entries have been made in this regard.
4. The building of the business had been obtained for a monthly rent of Rs. 5 000. It was agreed to pay Rs. 7 000 per month starting from 01.10.2022 and rent is payable for the last 3 months.
5. The cost of transporting a stock of equipment purchased by Amal from another business to his house Rs. 3 000 is included in distribution expenses.

Required:

1. Profit or loss statement of Amal, Kamal and Vimal partnership for the year ending 31.03.2023 (Including appropriations).
2. Partners' capital accounts for the year ending 31.03.2023 (On sub-column basis).
3. Partners' current accounts for the year ending 31.03.2023 (On sub-column basis).
4. Statement of financial position as at 31.03.2023.

08. The balance of the provision for impairment losses on debtors account of Nimal's business as at 01.04.2022 was constituted as follows.

Vishwa	100%	40
		000
Kamal	100%	32
		000
Aruna	50%	16
		000
General provision for the balance debtors	5%	8 000
		96
		000

The following transactions occurred during the year 2022/2023.

1. Total sales income Rs. 7 000 000
2. Cash sales amount Rs. 1 200 000
3. Cash received from debtors Rs. 6 100 000
4. Bad debts written off during the year

Vishwa	40 000
Manel	15 000

It was decided that the provision for impairment losses on debtors as at 31st March 2023 should be as follows.

- 100% from debtor Kamal
- 100% from debtor Lanka

50% from debtor Sampath
5% from balance debtors.

The debtors balances as at 31st March 2023 were as follows.

Kamal	- 32 000	Lanka	- 20 000
Sampath	- 10 000	Balance debtors	?

Required,

1. Debtors control account and provision for impairment losses on debtors account for the year 2022/2023.
2. Bad debts account for the year 2022/2023.
3. Details relating to debtors to be shown in the statement of financial position as at 31st March 2023.

09. Even though the balance of the cash control account of Amarasiri Ltd. as at 31.03.2023 was shown as Rs. 6 000, it did not tally with the balance of the bank statement on that day. The bank statement balance on that date was Rs. 8 800. The accounts clerk of the business has revealed the following reasons for the difference.

1. A cheque of Rs. 6 000 that had been credited to the cash control account had not been recorded in the bank statement.
2. Although a cheque worth Rs. 7 000 had been debited to the cash control account, it had not been recorded in the bank statement.
3. Although the fixed deposit interest of Rs. 1 200 had been transferred to the current account by the bank on 24.03.2023, the business had credited it to the cash control account on 04.04.2023.
4. The total of the payments side of the cash control account had been understated by Rs. 400.
5. Even though discounts received of Rs. 3 000 had been collected by the bank, it had not been recorded in the cash control account.
6. Bank charges deducted by the bank Rs. 600 was recorded in the bank statement.
7. Rs. 1 200 obtained from the savings account had been mistakenly credited to the current account.
8. A new cheque was issued to Wilson instead of a stale cheque of Rs. 600. Both of these cheques are included within unpresented cheques.

Based on the above information:

1. Prepare the adjusted cash control account.
2. Bank statement for the month of March 2023.

10. The receipts and payments account of Super Star United Sports Club for the year ending 31.12.2023 is given to you.

B/B/F	153	Cost of preparing the ground	12
Life membership fees	40	Meal expenses	18
Annual subscription	27	Rent	34
Grounds rent income	53	Telephone charges	9
Canteen income	74	Employee salaries	80
		B/C/D	194
	347		347

The following additional information is provided to you.

1. Life membership method has been introduced to the sports clubs during the year. The policy of the sports club regarding life membership is to deduct it over 10 years from the year the life membership is granted.
2. The annual membership fee per member is Rs. 400 and the life membership fee is Rs. 4 000.
3. There are 80 members in the sports club and 10 out of them are life members.
4. Subscription in arrears for the year 2022 of Rs. 11 000 and subscription received in advance for the year 2023 of Rs. 7 000 are included in the subscription received during the year.
5. The ground of the sports club is rented to outside entities for sportsmeets. However, the costs of preparing the grounds should be borne by the sports club.
6. The annual salary details paid to 3 employees of the sports club
7. A few balances as at 01.01.2023 and 31.12.2023 are given below.

	01.01.2023	31.12.2023
Meal stock	12 000	21 000
Furniture and equipment (Net value)	42 000	38 000

Required, for the year of 2023,

1. Subscription account
2. Life membership fee account
3. Canteen trading account
4. Income and expenditure account
5. Statement of financial position as at 31.12.2023.

11. Ryan, Brian and Ivan maintained a partnership business under the following agreements.

- ◆ Each partner is entitled to an interest of 10% per annum on opening capital balances.
- ◆ Monthly salaries are Rs. 5 000 to Ryan, Rs. 3 000 to Brian and Rs. 2 000 to Ivan.
- ◆ Ryan, Brian and Ivan shares profits and losses at the ratio of 3 : 2 : 1.

The profit of the business before appropriation according to the draft income statement for the year ending 31.03.2023 was Rs. 485 000. In the internal audit, a few errors have been identified that had affected the draft net profit.

1. Since the annual insurance premiums of Ryan Rs. 100 000 and Brian Rs. 200 000 were paid by the business, they had been recorded as insurance expenses of the business.
2. Salaries paid in cash to each partner for the first 6 months had been recorded as an expense of the business.
3. The loan interest for 6 months for the amount of Rs. 600 000 given by Ryan apart from his capital has not been recorded in the books of the business as an expense. (The partnership agreement does not specify on interests on loan).

Ivan retired from the partnership on 31.03.2023. On the same day, Kaman joined the partnership with a capital of Rs. 400 000 in cash. The goodwill in line with this change in equity was estimated as Rs. 1 200 000. A goodwill account is not maintained in the business and the relevant adjustments are made through the partners' capital accounts. The amount payable to Ivan is retained in the partnership as a loan. The new partnership agreed to share profits and losses equally.

The equity of the partnership as at 01.04.2022 was as follows.

(Rs. '000)

	Ryan	Brian	Ivan
Total equity	550	380	220
Capital accounts	500	400	200

Required,

1. Journal entries with narrations to rectify errors.
2. A statement showing the correct profit of the partnership for the year ending 31.03.2023.
3. Partners' capital and current accounts as at 31.03.2023.

12. The credit balance of the cash control account of Pidurangala Ltd. Company as at 31.12.2023 was shown as Rs. 193 000 and it did not tally with the bank statement of the relevant month. The accounts clerk of the company has presented the following reasons for the difference in balances.

1. The amount of cheques that were recorded in the debit side of the cash control account but were not recorded in the bank statement was Rs. 48 000.
2. The amount of cheques that were credited to the cash control account but not recorded in the bank statement was Rs. 80 000.
3. The total of the debit side of the cash control account has been understated by Rs. 12 000.
4. Dividend income raised by the bank's current account for the business of Rs. 21 000 has not been recorded in the cash control account.
5. Rs. 8 000 deducted by the bank as bank charges for the month, insurance expenses paid on standing order Rs. 12 000 and debtors remittances Rs. 53 000 had not been recorded in the cash control account.

Required,

1. Calculate the balance of the cash control account to be shown in the statement of financial position.
2. Prepare the bank reconciliation statement as at 31.12.2023.

13. Medirigiriya Central College established an Old Boys' Association on 01.04.2021 and the initial members got the life membership by contributing Rs. 700 000. The following balances of the recent years are provided to you.

	Rs. '000	
	31.03.2022	31.03.2023
Subscription receivable	150	200
Subscription received in advance	250	300
Accumulated fund	2 970	-
Life membership fund	630	24
T-shirt stock (cost)	-	?
Amount receivable from the musical concert	-	?
Cash	700	?

Additional information:

1. Subscription is charged as Rs. 500 per year and the number of members as at 31.03.2023 except the life members is 600.
2. Life membership is recognised as income within 10 years.
3. The following information is given to you regarding the musical concert held by the association.
 1. 100 tickets were sold at Rs. 1 000 each.
 2. 400 tickets were sold at Rs. 500 each (80% of this has been received).
 3. 75% of the amount receivable from the sponsors of the musical concert has been collected. It amounts to Rs. 750 000.

4. 5 singers were paid and each person was paid Rs. 50 000.
5. Muscial band Rs. 120 000.
Hall rent Rs. 60 000
Other rent Rs. 40 000
Rs. 200 000 has been received as life membership fees for the period.
6. The association has purchased 660 t-shirts at Rs. 400 each on cash and each was sold at Rs. 700 on cash to all general members since 31.03.2022.
7. Administration expenses were Rs. 80 000 and it included employee salaries of Rs. 60 000. Salaries for the month of March 2023 were Rs. 10 000. This has not been paid yet.
8. Office equipment should be depreciated at 5% on the carrying value.

Prepare the following:

1. Cash account for the year ending 31.03.2023.
2. Income account for the year ending 31.03.2023.
 1. Subscription account.
 2. Profit/loss from the musical concert.
 3. Profit/loss from t-shirt sales.

14. The debtors list of balances of Belgium PLC as at 31.03.2023 is as follows.

	(Rs. '000)
Jayantha Dharmaratne	800
Ayanthi Dissanayake	750
Madhava Malinga	700
Nilanga Abhayadheera	850
	<u>3 100</u>

The debtors control account prepared for the month of March 2023 is as follows.

Debtors control account Rs. '000			
BBF 01.03	4 000	Returns inwards	2 400
Sales	18 000	Cash	15 000
Bad debts	200	Discounts allowed	300
		BCD 31.03	4 500
	<u>22 200</u>		<u>22 200</u>

Following are the reasons for the difference between the total of the list of balances and the balance of the debtors control account as at 31.03.2023.

1. The correct total of the sales journal is Rs. 20 000. However, it has been incorrectly recorded in the general ledger.
2. Bad debts written off has been debited to the debtors control account and credited to the bad debts account.
3. The total of the discounts allowed column of the cash book for the month of March 2023 was Rs. 400 and it has been correctly recorded in the discounts allowed account in the general ledger and recorded incorrectly in the debtors control account.
4. Rs. 300 received from Madhava Malinga has been debited to his personal account in the debtors ledger.
5. Returns inwards of Ayanthi Dissanake of Rs. 500 has not been recorded in the debtors ledger.
6. Credit sales to Jayantha Dharmaratne of Rs. 4000 has not been recorded in Dharmaratne's account in the debtors sub ledger.

Required,

1. Journal entries to rectify the errors 1,2 and 3 above.
2. Adjusted debtors control account after rectifying the above errors for the month of March 2023.

3. Correct profit after rectifying the above errors (Draft net profit Rs. 1,140,000).
4. Correct balance of the debtors list of balances.

15. Achini, Ruchini and Sasanka maintained a partnership business under the following agreements.

- ◆ Each partner is entitled to an annual interest of 10% on opening capital balances.
- ◆ Achini, Ruchini and Sasanka shares profits and losses in the ratio of 5 : 3 : 2 respectively.
- ◆ Each partner receives a monthly salary of Rs. 10 000.

According to the draft income statement of the partnership for the year ending 31.03.2023, the net profit before distributing profits to the partners was Rs. 1 850 000. However, the following errors in the accounting records were revealed later.

1. Sasanka's personal life insurance premium of Rs. 210 000 was paid by the business and it has been recorded as an insurance expense of the business.
2. Rs. 200 000 paid by the partnership as interest on the bank loan had been credited to the interest income account as Rs. 20 000.
3. Employee salaries of Rs. 470 000 had been debited to the salaries account as Rs. 740 000.
4. A motor vehicle purchased on 01.04.2023 for Rs. 500 000 has been recorded as motor vehicle maintenance expenses.

(Motor vehicles are depreciated on straight-line method at 10% per annum).

Achini retired from the partnership on 31.03.2023. The goodwill of the partnership on this day was estimated as Rs. 1000 000. A goodwill account is not maintained in the books of accounts and all adjustments are made through the partners' capital accounts. It was decided to maintain the amount payable to Achini as a loan and to continue the partnership between Ruchini and Sasanka. The new profit sharing ratio between Ruchini and Sasanka is 3 : 2.

The credit balances of partners' capital and current accounts as at 01.04.2022 is as follows.

	Capital accounts	Current accounts
	Rs. '000	Rs. '000
Achini	5 400	600
Ruchini	4 200	400
Sasanka	2 400	300

Required,

1. Journal entries to rectify the errors (**with narrations**)
2. Statement showing the correct profit of the partnership for the year ending 31.03.2023.
3. Partners' capital and current accounts as at 31.03.2023.

Suggested Answers

1) 1	2) 3	3) 5	4) 2	5) 1
6) 4	7) 1	8) 2	9) 3	10) 3
11) 5	12) 2	13) 5	14) 3	15) 4
16) 5	17) 1	18) 1	19) 3	20) 1
21) 4	22) 3	23) 4	24) 2	25) 2
26) 2	27) 3	28) 1	29) 4	30) 4
31) 2	32) 5	33) 4	34) 1	

(35)

- 1) Prudence concept
- 2) Realisation / Accruals concept
- 3) Substance over form concept
- 4) Historical cost concept

(36)

1. Invoice, Purchases journal
2. Cash receipt, Cash receipts journal
3. Payments voucher, Cash payments journal
4. Debit note, Returns outwards journal

(37) A - False, B - True, C - False, D - True

(38)

- A. Expenses
- B. Assets
- C. Equity
- D. Liabilities

(39) a. Rs. 163,000

b. Rs. 183,000

(40)

- A. Rs. 312,500
- B. Rs. 250,000
- C. Rs. 62,500

(41) Cash account Dr Rs. 10,000

Capital account - Sandun Cr Rs. 8,000

Capital account – Nuwan Cr Rs. 2,000

(42) Creditors control account Dr Rs. 20,000

Purchases account Cr Rs. 20,000

(43)

I. Rs. 90,000

II. Impairment losses account Rs. 9,500

Provision for impairment losses account Cr Rs. 9,500

(44) Decreases by Rs. 28,500.

(45)	Accumulated fund as at 01.04.2022	Rs. 300,000
	Surplus	Rs. 170,000
	Building fund	Rs. 270,000
	Life membership fund	<u>Rs. 150,000</u>
		<u>Rs. 890,000</u>

Suggested Answers

01.

Transaction no.	Assets				Liabilities			Equity
	PPE	Stock	Trade receivables	Cash	Long term loan	Trade payables	Other payables	
1.		50	+ 80					+ 30
2.		+ 5	10					5
3.				+ 400	+ 400		+ 36	36
4.	+ 200			200				
5.				6				14
6.				15				+ 8
7.		20						15
8.			50	30		80		20
9.			80	+ 72				8
10.				+ 10				+10
	200	65	60	231	400	80	+ 36	50

					(₹'000)	
2.	Cash balance before adjustments	}	200	3.	Draft profit	1000
					+ Gross profit (80-50)	30
	Effect of the above transactions	}	<u>231</u> <u>431</u>		Bad debts recovered	<u>10</u> 40
	Adjusted cash balance as at 31.03.2020	}	<u>431</u>		Profit on returns inwards	5
					Operational expenses	14
					Donation expenses	20
					Discounts allowed	<u>8</u> (83)
						957

02.

Bank Book (January)			
BBF	400	Issues	500
Receipts	600	BCD	500
	1000		1000

Adjusted Bank Book			
BBF	500	Bank charges	15
Debtor	40	Dishonoured	30
remittances		cheques	
		Standing	50
		orders	
		BCD	445
	<u>540</u>		<u>540</u>

Bank reconciliation statement

Balance as per adjusted cash book		445
(+) Unpresented cheques (500-380)	120	
December (80-50)	30	150
(-) Unrealised cheques (600-30 = 570-440)	130	595
December	0	
Balance as per bank statement		(130)
		465

- ❖ Even though Rs. 600 000 worth of cheques were deposited in the month of January, since cheques worth Rs. 30 000 have been dishonoured, only Rs. 570 000 worth of cheques should have been presented to the bank. Out of those cheques, only Rs. 440 000 worth of cheques have been deposited in the bank.

03.

General Journal

(1) Debtors account (Dr)	3.6	
Discounts allowed account (Rectification of overstating discounts allowed)		3.6
(2) Sales / P/L account (Dr)	20	
Suspense account (Rectification of recording sales twice in the account)		20
(3) Creditors account (Dr)	20	
Suspenses account		20
Rates / P/L account (Dr)	10	
Suspense account (Rectification of not recording payments in the account)		10

Statement of rectification of profit

Draft net profit		450
(+) Discounts allowed	3.6	3.6
		453.6
() Sales Rates	20	
	10	
		30
Net profit		423.6

Workings :-

Suspense account			
BBF	50	Sales	20
		Creditors	20
		Rates	10
	50		50

Statement of Financial Position

<u>Non-current assets</u>		
Property, plant and equipment		800
<u>Current assets</u>		
Inventory	300	
Debtors (100 + 3.6)	103.6	
Cash and bank	50	453.6
		1253.6
<u>Capital</u>		
(+) Net profit	700	423.6
		1123.6
<u>Non-current liabilities</u>		
<u>Current liabilities</u>		
Creditors (150 20)	130	130
		1253.6

04.

General Journal

(1) P/L account (Dr)	5	
Current account - Visitha		5
(2) Partners' current accounts (Dr)	18	
P/L account		18
(3) P/L account (Dr)	24	
Inventory account		24
(4) P/L account (Dr)	6	
Rent received in advance		6
(5) P/L account (Dr)	28	
Provision for depreciation account		28

05. P/L Appropriation account

Net profit B/F		207
Interest on capital		
Asitha	36	
Lasitha	26	
Visitha	20	
Partners' salaries		
Asitha	45	
Lasitha	35	
Visitha		(162)
Profit share		45
Asitha	15	
Lasitha	15	
Visitha	15	(45)
		0

Statement of rectification of profit

Draft net profit		252
(+) Drawings	18	18
		270
() Loan interest	5	
Inventory	24	
Rent received in advance	6	
Depreciation	28	
		(63)
		207

Current account

	Asitha	Lasitha	Visitha		Asitha	Lasitha	Visitha
BBF		8		BBF	12		
Drawings	10			Loan interest			5
BCD	56	30	40	Capital	24	16	20
				Salaries	15	15	
				Profit share	15	15	15
	66	46	40		66	46	46
				BCF	56	30	40

Capital account

	Asitha a	Lasitha a	Visitha ha		Asitha a	Lasitha a	Visitha
Goodwill	30	30	30	BBF	350	250	
				Cash			150
				Goodwill	45	45	
				BCF	365	265	120
BCD	365	265	330	Stores building			160
	365	265	330	Loan account			50
					365	265	330

05.

General Journal

1. Debtors control account (Dr)	3 150	
Sales / P/L account (Rectification of understating the total of the Sales Journal)		3 150
2. Suspense account (Dr)	600	
Debtors control account (Rectification of debiting discounts allowed to the control account)		600
3. Creditors control account (Dr)	3 600	
Purchases / P/L account (Rectification of misstatement of the total of purchases journal)		3 600
4. Sales / P/L account (Dr)	30	
Returns outwards account (Rectification of misstatement of returns outwards)		30

3. Before rectification of errors

Debtors control account

Sales	350	Cash	2 100
Discounts allowed	300		
BCD	1 450		
	<u>2 100</u>		<u>2 100</u>

06.

4. After rectification of errors

Debtors control account

Returns outwards	30	Purchases	2 680
Discounts received	150		
Cash	950		
BCD	<u>2 680</u>		<u>2 680</u>

Statement of rectification of profit

Draft net profit		(4 000)
(+) Sales	3 150	
Purchases	3 600	
Returns outwards	30	6 780
		<u>2 780</u>
(-) Sales	30	
		30
Correct net profit		<u>2 750</u>

(Rs.'000)

Transaction No	Assets				Liabilities		
	PPE	Inventory	Debtors	Cash	Equity	Bank loan	Creditors
1.		+ 200		- 200			
2.		120		+ 200	+ 80		
3.		+ 300					+ 300
4.		50					50
5.	+ 300					+ 300	
6.		150	+300		+ 150		
7.				30	30		
8.				40	40		
9.				225	+ 25		250
10.			300	270	30		

2. Income Statement

Sales (200+300)		500
(-) Cost of sales (120+150)		(270)
Gross profit		230
(+) Other income		
Discounts received	25	25
		225
(-) Expenses		
Lorry depreciation	6	
Computer depreciation	1.5	
Marketing salaries	30	
Discounts allowed	30	
Rates	6	
		(73.5)
		<u>181.5</u>

3.

Opening capital	1 000
(+) Profit for the period	181.5
	<u>1 181.5</u>
(-) Drawings	(40)
Equity as at 31.03.2023	<u>1 141.5</u>

Amal, Kamal and Vimal Partnership
Statement of Profit or Loss and Appropriation account
For the year ending 31.03.2023

(Rs'000)

Gross profit		500
(+) Other income		
(-) Expenses		
PPE depreciation	65	
Wages	96	
Building rent	72	
Distribution expenses (1693)	166	
Loan interest - Kamal	5	
		(404)
Net profit B/F		96
<u>Interest on capital</u>		
Amal	22	
Kamal	18	
Vimal	14	
<u>Partners' salaries</u>		
Amal	120	
Vimal	120	(294)
		(198)
<u>Loss share</u>		
Amal	99	
Kamal	66	
Vimal	33	(198)
		0

Current account

	Amal	Kamal	Vimal		Amal	Kamal	Vimal
Cash control	60	-	60	BBF	40	25	
Goods	10	5	5	Loan interest	-	5	
drawings							
Expenses	3			Interest on	22	18	14
drawings				capital			
Loss share	99	66	33	Partners' salaries	120		120
BCD	10		36	BCD		23	
	182	71	134		182	71	134

Capital account

	Amal	Kamal	Vimal		Amal	Kamal	Vimal
Goodwill	30	20	10	BCD	214	176	
				Cash			50
				Computer			100
				Goodwill	36	24	
BCD	220	180	140				
	250	200	150		250	200	150

Statement of Financial Position

Non-current assets		
Property, plant and equipment	650	
() Accumulated depreciation (50+65)	(115)	535
Current assets		
Current assets	214	214
		749
Capital accounts		
Amal	220	
Kamal	180	
Vimal	140	
		540
Current accounts		
Amal	10	
Kamal	(23)	
Vimal	36	23
Non-current liabilities		
Loan account – Kamal	100	100
Current liabilities		
Accrued building rent	21	
Current liabilities	65	86
		749

08.

Debtors control account

BBF	264 000	Cash	6 100 000
Sales	7 000 000	Doubtful debts	40 000
		Bad debts	15 000
		BCD	1 109 000
	<u>7 264 000</u>		<u>7 264 000</u>

Bad debts account

Debtors control account	15 000	Income and expenditure A/C	15 000
-------------------------	--------	----------------------------	--------

Statement of Financial Position

Current assets	
Debtors	1 109 000
() Doubtful debts	(109 350)
	<u>999 650</u>

Workings :
Opening balance

Provision for doubtful debts account

	Doubtful	Debtors	Bad debts	40 000	BCD	96 000
Vishwa	40 000	40 000			Income and expenditure	53 350
Kamal	32 000	32 000				
Aruna	16 000	32 000	BCD	109 350		
Others	8 000	160 000		<u>149 350</u>		<u>149 350</u>
	<u>96 000</u>	<u>264 000</u>				

	Doubtful	Debtors
Kamal	32 000	32 000
Lanka	20 000	
Sampath	10 000	
Others	1 047 000	52 350
	<u>1 109 000</u>	<u>109 350</u>

$$1047\ 000 \times \frac{5}{100} = \underline{52\ 350}$$

09.

Adjusted cash control account

BBF	6 000	Understatement	400 600
Fixed deposit interest	1 200	Bank charges	
Discounts allowed	3 000		
Savings account	1 200		
		BCD	10 400
	<u>11 400</u>		<u>11 400</u>
BCF	10 400		

Bank reconciliation statement

Balance as per the adjusted cash control account		10 400
(+) Unpresented cheques	6000	
Expired cheques	(600)	5 400
		15 800
() Unrealised cheques	7 000	
		(7 000)
Balance as per the bank statement		8 800

10.

Subscription account

BBF	11	BBF	0
Income and expenditure (70×400)	28	Receipts and payments	27
BCD	7	BCD	19
	<u>46</u>		<u>46</u>

Life membership account

Income and expenditure (70×400)	4	BBF	xxx
		Receipts and payments	40
BCD	36		
	<u>40</u>		<u>10</u>

Canteen trading account

Opening stock	12	Sales	74
(+) Purchases	18		
	30		
() Closing stock	(21)		
Cost of sales	9		
BCD	65		
	<u>74</u>		<u>75</u>
		BCF	65
Salaries	10		
Net profit	55		
	<u>65</u>		<u>65</u>

Statement of financial position

<u>Non-current assets</u>		
Furniture	38	38
<u>Current assets</u>		
Closing inventory	21	
Receipts and payments balance	194	
Subscription in arrears	19	
		234
		<u>272</u>
Accumulated fund	278	
Surplus	11	229
<u>Non-current liabilities</u>		
Life membership	32	32
<u>Current liabilities</u>		
Subscription received in advance	7	
Life membership	4	11
		<u>272</u>

Income and expenditure account

<u>Income</u>		
Life membership fees		4
General subscription		28
Canteen profit		55
Rent income		01
		88
() <u>Expenditure</u>		
Clerk salary	30	
Furniture depreciation (42 38)	4	
Rent	34	
Telephone charges	9	(77)
Surplus		11

Workings

Statement of financial position as at 01.01.2023

Accumulated fund	218	Subscription in arrears	11
		Opening stock	12
		Furniture	42
		Cash	153
	<u>280</u>		<u>218</u>

Renting the ground

<u>Income</u>	
Rent income	53
<u>Expenses</u>	
Salaries	40
Cost of preparing the ground	12 (25)
	<u>01</u>

11.

General Journal

1. Partners' current accounts (Dr)	300	300
P/L account / Insurance expenses (Rectification of recording a personal insurance expense as a business expense)		
2. Partners' current accounts (Dr)	60	60
P/L account (Rectification of recording partners' salaries as an expense in the income statement)		
3. P/L account / Loan interest (Dr)	15	15
Ryan's current account (Recording loan interest payable to Ryan)		

Statement of rectification of profit

Draft net profit		485
(+) Insurance expenses	300	
Salaries	60	360
		845
()		
Loan interest	15	
		(15)
Correct net profit		<u>830</u>

Capital accounts

	R	B	I	K		R	B	I	K
Goodwill	400	400		400	BBF	500	400	200	
Loan interest			552		Current account			152	
					Cash				400
BCD	700	400		0	Goodwill	600	400	200	
	<u>1 100</u>	<u>800</u>	<u>552</u>	<u>400</u>		<u>1 100</u>	<u>800</u>	<u>552</u>	<u>400</u>
					BCF	700	400		0

Current accounts

	R	B	I		R	B	I
BBF		20		BBF			
Insurance cost	100	200		Loan interest			
Cash	30	18	12	Interest on capital			
(Salaries)			152	Partners' salaries			
Capital account				Profit share			
BCD	345	38					
	<u>475</u>	<u>276</u>	<u>164</u>		<u>475</u>	<u>276</u>	<u>164</u>

12.

Adjusted cash control account

Suspense account	12 000	BCD	193 000
Dividend income	21 000	Bank charges	8 000
Direct remittances	53 000	Insurance costs	12 000
BCD	127 000		
	<u>213 000</u>		<u>213 000</u>

Bank reconciliation statement

Balance as per the adjusted cash control account		(127000)
(+) Unpresented cheques	80 000	80 000
		(47 000)
() Unrealised cheques	48 000	(48 000)
Balance as per the bank statement		(95 000)

13.

Receipts and payments account

BBF	700	For singers	240
Subscription	300	For the musical band	120
Life membership fees	200	Hall rent	60
Ticket sales income	260	Other expenses	40
Receipts from sponsors	750	T-shirt purchases	264
T-shirt sales	420	Administration expenses	20
		Employee salaries	60
		BCD	1 816
	<u>2 630</u>		<u>2 630</u>

Subscription account

BBF	150	BBF	250
Income and expenditure (500 × 600)	300	Receipts and payments	300
BCD	300	BCD	200
	<u>750</u>		<u>750</u>

Income and expenses of the musical concert

Income		
Ticket sales		300
Receipts from sponsors		1 000
		<u>1 300</u>
Expenses		
For singers (50 000 × 50)	250	
For the musical band	120	
Hall rent	60	
Other expenses	40	(470)
		<u>830</u>

Income and expenditure account

<u>Income</u>		
Subscription income		300
Life membership fees		90
T-shirt profit		180
Musical concert profit		830
		<u>1 400</u>
<u>Expenditure</u>		
Admisitration expenses	20	
Employee salaries (60 + 10)	70	
Office equipment depreciation	150	
		(240)
Surplus		<u>1 160</u>

T-shirt income and expenses account

<u>Income</u>		
Sales (700 × 600)		420
Purchases (400 × 660)	264	
() Closing stock	(24)	240
		<u>180</u>

14.

Adjusted debtors control account

BBF	4 500	Bad debts	
Sales	2 000	Suspense (discounts allowed)	
		BCD	
	<u>6 500</u>		<u>6 500</u>

Debtors reconciliation statement

Draft debtors balance		3 100
(+) Omitted credit sales	4 000	
		4 000
() Incorrect debiting	600	7 100
Unrecorded returns inwards	500	
		(1 100)
Correct debtors balance		<u>6 000</u>

General Journal

Debtors control account Sales / P/L account (Rectification of understating sales)	(Dr)	2 000	2 000
Bad debts / P/L account Debtors control account (Recording bad debts written off)	(Dr)	400	400
Suspense account Debtors control account (Rectification of understating discounts allowed in the control account)	(Dr)	100	100

Statement of rectification of profit

Draft net profit		1 140
(+) Sales	2 000	
		2 000
() Bad debts	400	3 140
Unrecorded returns inwards		(400)
Correct net profit		<u>2 740</u>

15.

General Journal

Sasanka's current account P/L account (Insurance expenses) (Rectification of recording drawings as an expense)	(Dr)	210	210
Interest expense account / P/L account Interest income account / P/L account Suspense account (Rectification of recording bank loan interest as an income)	(Dr) (Dr)	200 20	220
Suspense account Employee salaries / P/L account (Rectification of overstating salaries)	(Dr)	270	270
Motor vehicle account Motor vehicle maintenance expenses account (Rectification of recording an expense in an asset account)	(Dr)	500	500
Motor vehicle depreciation / P/L account Provision for motor vehicle depreciation (Recording annual depreciation of motor vehicles)	(Dr)	50	50

**Statement of rectification of profit
(Rs.'000)**

Draft net profit		1 850
(+) Insurance expenses	210	
Employee salaries	270	
Maintenance expenses	500	980
		2 830
() Interest expenses	200	
Interest income	20	
Depreciation	50	
		(270)
Correct net profit		<u>2 560</u>

Current account

	A	R	S		A	R	S
Drawings			210	BBF	600	400	300
Capital	1 760			Interest on	540	420	240
				capital			
				Partners	120	120	120
				salaries			
BCD		1 240	650	Profit share	500	300	200
	1 760	1 240	860		1 760	1 240	860

Capital account

	A	R	S		A	R	S
Goodwill		600	400	BBF	5 400	4 200	2 400
				Goodwill	500	300	200
Loan account	7 660			Current	1 760		
BCD		3 900	2 200				
	7 660	4 500	2 600		7 660	4 500	2 600

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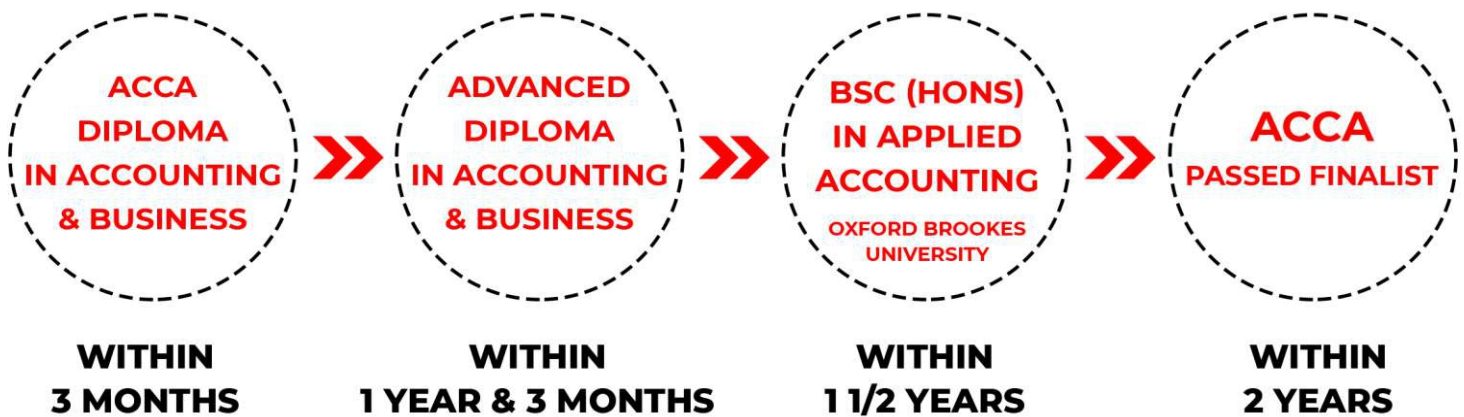
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