

1.2 Consider the following statements in relation to Non-profit oriented organizations (NPOs):

- (a) A NPO will never earn a surplus from its operations.
- (b) NPOs earn income only from the membership subscriptions.
- (c) The net result of the activities is known as surplus or deficit.
- (d) NPOs are governed by a board of directors appointed by the shareholders.

Of the above, the correct statement/s is/are:

- (1) (c) and (d) only.
- (2) (a), (b) and (c) only.
- (3) (c) only.
- (4) All of the above. (02 marks)

1.3 You are given the following statements in relation to Control Accounts:

- (a) Separate sub ledger accounts are maintained for the individual accounts where the total balance tallies with the respective Control Account balance in the general ledger.
- (b) A Control Account can be maintained even for inventories.
- (c) There can be entries between Debtors Control Account and Creditors Control Account.

Of the above, the correct statement/s in relation to Control Accounts is/are:

- (1) (a) only.
- (2) (b) only.
- (3) (a) and (c) only.
- (4) All of the above. (02 marks)

Write answers to question No. 1.4 to 1.7 in your answer booklet with the number assigned to the question.

1.4 State two(02) advantages of issuing debentures as a long term source of finance by a company when compared to equity shares. (02 marks)

1.5 State three(03) advantages of equity shares as a long term source of finance. (03 marks)

1.6 **ABC Ltd.** decided to issue 250,000 additional ordinary shares on 20th March 2016 at Rs.25/- per share. Applications had been received for 270,000 shares. Subsequently, 250,000 shares were allotted and money on excess applications received was refunded.

Prepare journal entries including cash entries to record this share issue. (03 marks)

1.7 State the provision for each of the following items according to section 24 of the Partnership Ordinance 1890.

- (1) Introducing a new partner.
- (2) Interest on advances beyond the capital.
- (3) Books of the partnership. (06 marks)

End of Section A

SECTION B

Five (05) compulsory questions

(Total 25 marks)

Question 02

As at 01st July 2016, Trade Payables (Creditors) Control Account balance of **Amaya (Pvt) Ltd.** was Rs.305,400/-.

The following transactions relating to trade payables have been extracted from **Amaya (Pvt) Ltd.** for the month of July 2016:

	Amount Rs.
Credit purchases	135,900
Return outwards	16,000
Payments made to creditors	103,000
Discounts received	1,200

The balance of the Trade Payables' Control Account as at 31st July 2016 was not in agreement with the total of the individual trade payable balances. Subsequent checking revealed the following reasons for the difference.

- (1) A credit purchase of Rs.20,000/- made from **X Ltd.** had not been recorded in the individual account of **X Ltd.** while it was correctly recorded in the Control Account.
- (2) A cash payment to **Perera**, a supplier amounting to Rs.8,500/- has been correctly recorded in the control account, but has been omitted from the respective individual trade payable account.

You are required to:

- (a) **Prepare** the Trade Payables (Creditors) Control Account for the month of July 2016. (03 marks)
- (b) **Prepare** a statement to reconcile the balance of the Trade Payables' Control Account as at 31st July 2016 with the total balance of the individual Trade Payables Accounts on that date.

(02 marks)

(Total 05 marks)

Question 03

Ashan, Hashan and **Roshan** are in a partnership sharing profits and losses in the ratio of 4:3:3 respectively.

The partnership agreement provides the following:

- Interest on drawings is charged at 12% per annum.
- No interest is paid or charged on current account balances.
- **Hashan** is entitled to a salary of Rs.125,000/- per annum.

The following information is also provided:

- (1) The following balances were extracted from the trial balance of the partnership as at 31st March 2016:

	Dr. (Rs.'000)	Cr. (Rs.'000)
Current Accounts as at 01 st April 2015:		
Ashan		2,000
Hashan	800	
Partners' Drawings:		
Ashan on 01 st April 2015	1,000	
Roshan on 01 st October 2015	500	

- (2) Net profit before appropriation of the partnership for the year ended 31st March 2016 was Rs.3,500,000/-.

You are required to:

Prepare the Profit or Loss Appropriation Account of the partnership for the year ended 31st March 2016. (05 marks)

Question 04

The bank statement of **Charm Cakes Ltd.** as at 31st December 2016 showed an overdraft balance of Rs.53,029/-, while the cash book of the company showed a debit balance of Rs.15,274/-.

The following reasons were identified for the difference:

- (1) The following cheques deposited have not been realized by 31st December 2016:

Cheque No.	Date of Deposit	Amount (Rs.)
321154	28.12.2016	156,200
265471	31.12.2016	24,675

- (2) The following cheques issued by the company have not been presented for payments by 31st December 2016:

Cheque No.	Date of Issued	Amount (Rs.)
628734	25.12.2016	3,274
628742	28.12.2016	115,248

- (3) The book-keeper has erroneously entered the value of the issued cheque number 628730 as Rs.69,745/- in the cash book, whereas the correct value of the cheque was Rs.67,945/-.
- (4) The bank has charged cheque book charges of Rs.2,500/- on 31st December 2016, which was not recorded in the cash book.
- (5) The bank has erroneously credited an amount of Rs.5,250/- to the bank account of **Charm Cakes Ltd.** on 31st December 2016.

You are required to:

Prepare the following for **Charm Cakes Ltd.:**

- (a) Adjusted cash book as at 31st December 2016. (02 marks)
- (b) Bank Reconciliation Statement as at 31st December 2016. (03 marks)
- (Total 05 marks)

Question 05

Oran (Pvt) Ltd. has constructed a building to be used for its business during the year ended 31st March 2013 and has incurred the following costs:

	Rs. ('000)
Site preparation costs	870
Building materials & labour	1,590
Carriage inwards of building materials	160
Professional fees (Architect, Engineers & Legal)	630
Municipal Council Rates for the year 2014	50

The construction of the building was completed by 31st March 2013 and the building was available for use from 01st April 2013. It is estimated that the building has a useful life of 50 years and it is depreciated on the straight-line basis.

You are required to:

Compute the following:

- (a) Amount to be capitalized for the above building as at 01st April 2013. (03 marks)
- (b) Carrying value of the building as at 31st March 2016. (02 marks)
- (Total 05 marks)

Question 06

The following information is relevant for the **Rural Cricket Club** for the year ended 31st December 2016:

- (1) The assets and liabilities of the club were as follows: (Rs. '000)

	as at 31 st December 2015	as at 31 st December 2016
Land	15,000	15,000
Cricket equipment	4,400	4,100
Cash in hand and at bank	5,500	6,480
Membership Subscriptions in arrears	475	?
Membership Subscriptions Received in advance for the subsequent year	200	?

During the year, no additions or disposals of fixed assets have taken place.

- (2) Members' Subscriptions:

- The annual subscription per member is Rs.25,000/-.
- As per records, there were 50 members in the cricket club as at 31st December 2016.
- During the year ended 31st December 2016, the club received membership subscriptions of Rs.1,550,000/-. This includes an amount of Rs.150,000/- representing the subscriptions received for the year 2017.

You are required to:

- (a) **Calculate** the Accumulated Fund as at 31st December 2015. (02 marks)
- (b) **Prepare** the Subscriptions Account of the **Rural Cricket Club** for the year ended 31st December 2016. (03 marks)
- (Total 05 marks)

End of Section B

SECTION C

Three (03) compulsory questions

(Total 30 marks)

Question 07

The Receipts and Payments Account of **United Football Club** for the year ended 31st December 2016 is as follows:

Receipts and Payments Account		<i>(Rs.'000)</i>	
Balance B/F as at 01 st January 2016	6,800	Rent for the year 2016	1,000
Donations	700	Telephone Bills	450
Membership Subscriptions	7,700	Electricity Bills	1,400
Dance Night 2016 Ticket Sales	2,100	Coaching Fees	2,100
		Dance Night 2016 General Expenses	850
		Dance Night 2016 Prizes	300
		Sports Equipment (31 st December 2016)	3,400
		Balance C/F as at 31 st December 2016	7,800
	17,300		17,300

The following additional information is available:

Other assets and liabilities of the club are as follows:

	<i>(Rs.'000)</i>	
	As at 01st January 2016	As at 31st December 2016
Sports Equipment	11,000	12,500
Subscriptions in Arrears	600	400
Subscriptions in Advance	200	300
Accrued Electricity	200	400
Dance Night 2016 Ticket Sales Receivables	-	200
Dance Night 2016 General Expenses Payable	-	140

Donations received should be recognized as an income in the year of receipt. There were no additions and disposals to the fixed assets during the year except the sports equipment purchased on 31st December 2016.

You are required to:

Prepare the Income and Expenditure Account for the year ended 31st December 2016 for **United Football Club**. (10 marks)

Question 08

The following information was extracted from the books of **Rasai Foods**, a catering service business owned by **Rashmi**:

- (1) Assets and liabilities of the business are as follows:

(Rs.'000)

	As at 01 st January 2016	As at 31 st December 2016
Catering Equipment (at Carrying Value)	10,000	14,000
Delivery Van (at Carrying Value)	15,000	13,000
Inventory	3,000	4,000
Cash in hand	7,200	10,250
Trade Payables	6,000	8,000
Trade Receivables	5,000	6,000
8% Loan	-	5,000

- (2) Payments made during the year ended 31st December 2016 were as follows:

	(Rs.'000)
Payments to Creditors for Purchases	26,000
Labour charges	6,150
Electricity and Insurance	3,800

- (3) All the purchases and sales were made on credit basis.
- (4) In deciding of sales prices, **Rasai Foods** keeps a gross profit of 50% on cost.
- (5) **Rasai Foods** purchased some catering equipment costing Rs.5,000,000/- on 01st July 2016, which was financed by a loan which has to be settled in full at the end of the 3rd year. However, the annual interest on the loan is 8% and it is to be paid at the end of each year.
- (6) **Rashmi** withdrew Rs.500,000/- in cash for her personal use during the year.

You are required to:

Prepare the following for **Rasai Foods**, which is a sole proprietorship:

- (a) Statement of Income for the year ended 31st December 2016. (07 marks)
- (b) Statement of Financial Position as at 31st December 2016. (03 marks)
- (Total 10 marks)

Question 09

Roshantha, Nishantha and Lasantha are in a partnership business engaged in advertising and marketing promotion under the name of **Ronil Consultants**.

The partnership agreement contains the following:

- (1) Profits and losses are to be shared among **Roshantha, Nishantha and Lasantha** in the ratio of 5 : 2 : 3 respectively.
- (2) Partners are entitled to receive interest on capital at 5% per annum on the Partners' Capital Accounts.
- (3) **Roshantha** is entitled to a salary of Rs.35,000/- per month for managing the business.

The following Trial Balance as at 31st March 2016 is extracted from the books of accounts of **Ronil Consultants**:

	Dr. (Rs.'000)	Cr. (Rs.'000)
Net profit before appropriations		25,400
Partners' Capital Accounts as at 01 st April 2015:		
Roshantha		10,500
Nishantha		6,000
Lasantha		9,000
Partners' Current Accounts as at 01 st April 2015:		
Roshantha	50	
Nishantha	160	
Lasantha	330	
Property, Plant and Equipment at cost:		
Land and Building	51,250	
Motor Vehicle	2,500	
Accumulated Depreciation as at 31 st March 2016:		
Building		3,000
Motor Vehicle		1,250
Bank balance	242	
Inventory	656	
Trade Receivables / Trade Payables	3,610	4,288
Loan to Nishantha (Note 01)	700	
Accrued Expenses		60
Total	59,498	59,498

Note 01

Nishantha obtained a loan of Rs.700,000/- on 30th September 2015 from the partnership. It was agreed to charge an interest of 10% per annum for this loan. Interest on this loan has not been recorded in the books of accounts.

You are required to:

Prepare the following:

- (a) Partners' Current Accounts in columnar form as at 31st March 2016. (05 marks)
 - (b) Statement of Financial Position as at 31st March 2016. (05 marks)
- (Total 10 marks)

End of Section C

SECTION D

A compulsory question

(25 marks)

Question 10

The Trial balance of **WebFabs (Pvt) Ltd.** as at 31st March 2016 is given below:

(Rs. '000)

	Dr.	Cr.
Stated Capital (200,000 Ordinary Shares)		2,000
Retained Earnings as at 01 st April 2015	4,860	
General Reserve		500
Property, Plant and Equipment at cost:		
Motor Vehicles	8,500	
Machinery	6,400	
Furniture and Fittings	3,000	
Accumulated Depreciation as at 01 st April 2015:		
Motor Vehicles		2,125
Machinery		2,400
Furniture and Fittings		1,800
Inventory as at 31 st March 2016	2,460	
Trade Receivables / Trade Payables	3,910	1,873
Cash in hand and at Bank	250	
12% Debentures		5,000
Dividends Paid	250	
Sales		38,520
Cost of Sales	15,646	
Administration Expenses	3,545	
Distribution Expenses	2,066	
Finance Expenses	331	
Income Tax Paid	3,000	
	54,218	54,218

The following additional information is also provided:

- (1) On 30th September 2015, the company issued 50,000 numbers of debentures of Rs.100/- each. The interest is to be paid bi-annually at 12% per annum. Interest payment for the six months ended 31st March 2016 has been made on 01st April 2016.
- (2) A flood occurred in the night of 20th March 2016 and inventory costing Rs.750,000/- was completely damaged. The insurance company finalized the claim on 31st March 2016 and agreed to pay 80% of the cost of the inventory as the claim. No entries were made in the books of accounts to record this occurrence.
- (3) Property, Plant and Equipment are to be depreciated on the straight-line basis. The useful life of the assets are as follows:

Motor Vehicles	:	4 years
Machinery	:	8 years
Furniture and Fittings	:	5 years

- (4) The following accruals and prepaid expenses are to be accounted as at 31st March 2016:

	Accrued (Rs.)	Pre-payment (Rs.)
Insurance	-	8,000
Audit Fees	70,000	-

- (5) It was decided to make an allowance of Rs.350,000/- against a doubtful receivable balance.
- (6) The Income tax liability for the year of assessment 2015/16 is estimated to be Rs.3,200,000/-. There was no income tax liability for the previous year of assessment. The company has paid Rs.3,000,000/- as self-assessment income tax payments for the year of assessment 2015/16.
- (7) The financial statements were authorized for issue by the Board of Directors on 21st May 2016.

You are required to,

Prepare the following for the use of the Management of **WebFabs (Pvt) Ltd.:**

- (a) Statement of Comprehensive Income for the year ended 31st March 2016. (12 marks)
 - (b) Statement of Financial Position as at 31st March 2016. (13 marks)
- (Total 25 Marks)

End of Section D

ACTION VERB CHECK LIST

Knowledge Process	Verb List	Verb Definitions
Level 01 Comprehension Recall & explain important information	Define	Describe exactly the nature, scope, or meaning.
	Draw	Produce (a picture or diagram).
	Identify	Recognize, establish or select after consideration.
	List	Write the connected items one below the other.
	Relate	To establish logical or causal connections.
	State	Express something definitely or clearly.
	Calculate/Compute	Make a mathematical computation
	Discuss	Examine in detail by argument showing different aspects, for the purpose of arriving at a conclusion.
	Explain	Make a clear description in detail revealing relevant facts.
	Interpret	Present in an understandable terms.
	Recognize	To show validity or otherwise, using knowledge or contextual experience.
Record	Enter relevant entries in detail.	
Summarize	Give a brief statement of the main points (in facts or figures).	

Knowledge Process	Verb List	Verb Definitions
Level 02 Application Use knowledge in a setting other than the one in which it was learned / Solve closed-ended problems	Apply	Put to practical use.
	Assess	Determine the value, nature, ability, or quality.
	Demonstrate	Prove, especially with examples.
	Graph	Represent by means of a graph.
	Prepare	Make ready for a particular purpose.
	Prioritize	Arrange or do in order of importance.
	Reconcile	Make consistent with another.
	Solve	To find a solution through calculations and/or explanation.

Knowledge Process	Verb List	Verb Definitions
Level 03 Analysis Draw relations among ideas and compare and contrast / Solve open-ended problems.	Analyze	Examine in detail in order to determine the solution or outcome.
	Compare	Examine for the purpose of discovering similarities.
	Contrast	Examine in order to show unlikeness or differences.
	Differentiate	Constitute a difference that distinguishes something.
	Outline	Make a summary of significant features.