

THE OPEN UNIVERSITY OF SRI LANKA
 FACULTY OF MANAGEMENT STUDIES
 BACHELOR OF MANAGEMENT STUDIES HONOURS DEGREE
 PROGRAMME, LEVEL 3
 ASSIGNMENT TEST
 ACADEMIC YEAR: 2022/2023
 AFU 3506 - FINANCIAL AND COST ACCOUNTING



Date: 27.08.2023

Total Marks: 100

Time: 09.30 am to 11.30 am

Index No

Answer all questions in Part A and Part B on the question paper itself. Non-Programmable calculators are allowed.

Candidate must hand over the paper to the invigilator at the end of the examination. Failure to comply with this regulation may result in your paper not being marked.

PART A
 (Multiple-Choice Questions)
Underline the best answer for each question

Questions 1 to 20 carry 04 marks each.

1. The primary objective of accounting is to;
 - i. Record all transactions in the books of accounts.
 - ii. Record, categorize and summarize financial transactions.
 - iii. Provide with information to users for decision making.
 - iv. Provide with detailed analysis of costs to managers.

2. Select the correct accounting equation;
 - i. Assets + Liabilities = Capital
 - ii. Capital = Assets + Profit
 - iii. Capital + Liabilities = Assets
 - iv. Capital + Assets = Liabilities

3. Mr. Fair, the owner of Fair Traders, owns a personal residence that cost Rs. 2.5 million, but it has a market value of Rs. 3 million. During preparation of the financial statement for the business, the value of the property was not shown in the financial statements. What is the principle that was followed during the preparation of the financial statement for the business?
 - i. The concept of the cost principle
 - ii. The concept of revaluation
 - iii. The concept of realization
 - iv. The concept of the business entity

4. Select from the following statements one that represents the the correct overall impact on accounting elements due to cash receipt from trade debtors:
 - i. Increase in assets and increase in liabilities.
 - ii. Decrease in assets and decrease in liabilities.
 - iii. Decrease in assets and decrease in capital.
 - iv. There is no change in assets.

5. Which one of the following groups contains the elements that appear in the statement of financial position?
- i. Assets, Equity & Income. ii. Assets, Liabilities & Expenses
iii. Assets, Liabilities & Income iv. Assets, Equity & Liabilities
6. Which one of the following Accounting Concept supports the categorization of assets into "Fixed" and "Current"?
- i. Accrued Concept ii. Going Concern Concept
iii. Accounting Period Concept iv. Cost Concept
7. Which one of the following is not recorded in the General Journal?
- i. Correction of errors.
ii. Year-end adjustments.
iii. Recording of opening balances.
iv. Sale of goods on credit.
8. The following information was extracted from the books of XYZ Traders:

Description	Rs.
Net assets as at 01 st April 2022	150,000
Additional Capital	25,000
Net assets as at 31 st March 2023	135,000
Drawings by the owner during the year	12,000

What is the Net Profit / (Loss) of XYZ Traders for the year ended 31st March 2023?

- i. (Rs.22,000/-) ii. Rs.28,000/-
iii. (Rs.52,000/-) iv. (Rs.28,000/-)
9. The following information was extracted from the books of ABC Enterprise which is a sole proprietorship:

Description	Rs.
Capital as at 01 st April 2022	200,000
Drawings during the year	120,000
Profit for the year ended 31 st March 2023	145,000
Liabilities as at 31 st March 2023	80,000

Based on the above information, total assets as at 31st March 2023 would be:

- i. Rs.305,000/- ii. Rs.545,000/-
iii. Rs.345,000/- iv. Rs.225,000/-
10. Which of the following is an example of capital expenditure?
- i. Insurance premium.
ii. Monthly rent.
iii. Discount allowed.
iv. Customs duty on import of machinery.
11. The Opening inventory balance of a business was understated by Rs.25,000/- while the closing inventory balance was overstated by Rs.30,000/- The impact is:
- i. Overstating of Profit by Rs.55,000/-
ii. Understating of Profit by Rs.55,000/-
iii. Overstating of Profit by Rs.5,000/-
iv. Understating of Profit by Rs.5,000/-

12. Which of the following statements is true?
- The sale of an asset is recorded in the sales book.
 - Total of return outward book is debited to return outward account.
 - Cashbook is a subsidiary book as well as a ledger account
 - Purchase book makes a record of all purchases.
13. Which one of the following represents what happens when goods are purchased on credit?
- Increases liabilities.
 - Increases assets.
 - Increases both assets and liabilities.
 - Decreases assets.
14. Which of the following statements has the two ratios that are used to measure the financial stability and liquidity of an entity respectively?
- Debt-equity ratio and Current ratio
 - Quick ratio and Debtor turnover ratio
 - Return on total assets ratio and current ratio
 - Debt ratio and Total assets turnover ratio
15. In the accounting process, what is the correct sequence in which the following activities take place?
- A - The transactions is recorded in the relevant prime entry book
B - The business transaction takes place
C - The source document is prepared for the transactions
D - The transaction is posted to the ledger
E - The Trail Balance is prepared
- C,B,D,A,E
 - B,C,A,D,E
 - B,A,C,D,E
 - B,C,D,A,E
16. Which one of the following carries the ratios that are used to measure the solvency of a business?
- Debt ratio and Interest coverage ratio
 - Debt ratio and Assets Turnover ratio
 - Debt ratio and Equity ratio
 - Debt ratio and Current ratio
17. Hardy (Pvt) Ltd. acquired a plant on 01st April 2020 at a cost of Rs.500,000/- The estimated useful life of the plant is five years and depreciation of the asset is charged on the straight line basis. Its residual value at the end of useful life is estimated to be 10% of its cost. What is the accumulated depreciation as at 31st March 2023?
- Rs.90,000/-
 - Rs.180,000/-
 - Rs.270,000/-
 - Rs.150,000/-

18. The following information relates to Sun (Pvt) Ltd. for the year ended 31st March 2023

Inventory as at 31 st March 2022	Rs.350,000
Inventory as at 31 st March 2023	Rs.280,000
Purchases for the year	Rs.840,000
Gross profit for the year	35% on sales

What is the correct revenue of Sun (Pvt) Ltd.?

- i. Rs.1,150,000/- ii. Rs.1,400,000/-
 iii. Rs.1,750,000/- iv. Rs.1,184,000/-
19. Following information was taken as at 31.03.2023 from the final accounts of Smart Traders, a sole proprietor who buys and sells fresh fruits and vegetables.

Sales	Rs.4,000 000
Cost of Sale	Rs.2,200,000
Net Profit of the Year after Interest & Tax (PAIT)	Rs.800,000
Interest expense	Rs.60,000
Income Tax for the year	Rs.40,000
Total Assets	Rs.5,000,000

What is the Gross Profit Ratio and Return on Total Assets?

	Gross Profit Ratio %	Return on Total Assets %
i.	55	18
ii.	45	16
iii.	55	16
iv.	50	18

20. A business is engaged in a trading business has a Gross Profit Ratio of 20%. Which of the following transactions of the business will lead to a decline in the ratio?
- i. Increase Sale 50% and Cost of Sale 50%
 ii. Increase Sale 50% and Cost of Sale 40%
 iii. Increase Sale 50% and Cost of Sale 60%
 iv. Increase Sale 40% and Cost of Sale 40%

PART B**(Total marks for Part B is 20 marks. Each question carries 04 marks)**

Followings are the extracts of the assets and liabilities of the books of accounts of Vidumini Enterprises as of 01/04/2022 and 31/03/2023 where manual accounting is done by Mr. Senadeera, the owner of Vidumini Enterprises.

Description	Assets/Liabilities As at 01/04/2022	Assets/Liabilities As at 31/03/2023
Land and Buildings	450,000	560,000
Plant and Machinery	310,000	470,000
Office Equipment	190,000	260,000
Investments	100,000	150,000
Inventories	90,000	60,000
Trade Receivables	45,000	67,000
Cash and Bank Balances	15,000	19,000
Bank Loan	33,000	28,000
Trade payables	14,000	11,000
Accrued wages	10,000	13,000
Accrued Expenses	19,000	13,000
Other Liabilities	14,000	8,000

Following additional information is provided

- Additional capital introduced by Mr.Senadeera, the owner of Vidumini Enterprises during the year 2022/23 is Rs.80,000/-
- Mr.Senadeera had drawn Rs.50,000/- in cash and Rs.60,000/- worth of goods for his personal use during the year of 2022/23
- You may assume that assets have been computed to the net book value.

Using the above information, you are required to attend to the following:

- Calculate the Net profit for the year ended 31/03/2023.

- II. Calculate the Net Wealth of the business as at 31/03/2023.
- III. What is the total value of assets of the business as at 31/03/2023?
- IV. Calculate the Return on Total assets for the year ended at 31/03/2023.
- V. Show the validity of the accounting equation 'Asset = Equity + Liabilities' using the corresponding financial values as at 31/03/2023.