

THE OPEN UNIVERSITY OF SRI LANKA
FACULTY OF MANAGEMENT STUDIES
BACHELOR OF MANAGEMENT STUDIES HONOURS DEGREE
PROGRAMME



LEVEL 6

ASSIGNMENT TEST

ACADEMIC YEAR: 2022/2023

AFU6421 – ADVANCED FINANCIAL ACCOUNTING

Date: 20.08.2023

Total Marks: 100

Time: 01.30 pm to 03.30 pm

Instructions: All working should be stated
Non-Programmable calculators are allowed
Mention your student registration number in every answer script.

Question No (01)

Thrifty Styles PLC is a leading fashion retail store who sells affordable, high-quality, unique and elegant designs to add a touch of glamour to people's everyday life to ensure that anyone, anywhere has access for hassle free online & offline shopping experience. Its registered office is situated at the Address. No 35/A, Highlevel Rd, Nugegoda, Sri Lanka.

The following trial balance was extracted from the books of Thrifty Styles PLC as at 31st March 2023.

Thrifty Styles PLC
Trial Balance as at 31st March 2023 (Rs.'000)

	Dr.	Cr.
Stated Capital (900,000 ordinary shares)		90,000
Retained Earnings		17,000
Property Plant and Equipment at Cost:		
Land	55,000	
Buildings	32,000	
Plant and Machinery	14,000	
Motor Vehicles	10,000	
Office Equipment	7,200	
Capital work-In-Progress	16,000	
Accumulated Depreciation as at 01 st April 2022		
Buildings		15,000
Plant and Machinery		6,000
Motor Vehicles		5,500
Office Equipment		3,500
Pre-payments	1,650	
Payments made to Clothing Spark Research Ltd.	2,500	
Inventory as at 31 st March 2023	32,500	
Trade Receivables / Trade Payables	54,000	37,000

Gratuity Provision		20,500
Cash in Hand and Cash at Bank	26,500	
Income Tax Paid	2,750	
Interim Dividend Paid - Ordinary Shares	9,000	
Cost of Sales / Sales	279,400	411,500
Administration Expenses	46,000	
Distribution Expenses	29,500	
Finance Expenses	500	
Allowance for Trade Receivables as at 01 st April 2022		500
Bank Loan – 12%		12,000
	618,500	618,500

The following additional information is also provided:

- 1) Inventory held as at 31st March 2023 included obsolete stock of Rs. 700,000/- at cost. This was sold for Rs. 250,000/- on 05th April 2023 to a buyer incurring Rs. 20,000/- for transporting these stocks to the buyer's location. No entries were made in this regard.
- 2) The company has revalued its land to Rs. 60 million on 31st March 2023. This has not been recorded in the books of accounts.
- 3) On 01st July 2022, the company acquired a new machinery and purchase cost of Rs. 3,500,000/- has been recorded under the purchase account. In addition to that the company has incurred further Rs. 500,000/- on the same date for installation and testing the machine and this was recorded under the administration Expenses.
- 4) During the year, a research was done for a new product and the company has paid Rs. 2,500,000/- to Clothing Spark Research Ltd. for that purpose. This has been debited to payments to Clothing Spark Research Ltd. account. The company started commercial operation of the new product in April 2023.
- 5) The company obtained Rs. 12 million bank loan at an interest rate of 12% per annum on 01st January 2023 to construct a new factory building. No capital repayments were made during the year and interest for the year has been accounted under the finance expenses of the bank loan which should be settled in 2023/24. Construction of the factory building was

commenced on 01st January 2023 and it is expected to complete by 30th September 2023. Cost incurred on construction was recorded under the capital work-in-progress account.

- 6) Depreciation of Property, Plant and Equipment is calculated on the straight-line basis at cost. Depreciation rates are as follows:
- | | |
|------------------------|-------|
| a. Buildings | : 05% |
| b. Plant and Machinery | : 10% |
| c. Motor Vehicles | : 20% |
| d. Office Equipment | : 10% |
- 7) The income Tax Liability of the company for the year of assessment 2022/23 has been estimated at Rs. 2,950,000/-.
- 8) On 31st March 2023, it was noticed that a customer owing Rs. 2 million has been missing. The company is not in a position to recover the amount due from him and it has become irrecoverable. Further a general provision has to be made at 2% of the remaining trade receivable balance as at 31st March 2023.
- 9) Electricity bill for March 2023 of Rs. 700,000/- has not been recorded in the books of accounts.
- 10) The Board of Directors of the company decided to pay Rs. 5/- per share as the final dividend for ordinary shares held on 31st March 2023 at the board meeting held on 02nd May 2023.
- 11) The Financial Statements were authorized for issue by the Board of Directors on 20th June 2023.

Considering the above information,

You are required to prepare the following, for Thrifty Styles PLC in a form suitable for publication:

- (a) Statement of Profit or Loss and Other Comprehensive Income (Statement of Comprehensive Income) for the year ended 31st March 2023. **(30 marks)**

- (b) Statement of Financial Position as at 31st March 2023. (30 marks)
- (c) Statement of Changes in Equity for the year ended 31st March 2023. (20 marks)
- (d) Statement showing movement of Property, Plant and Equipment for the year ended 31st March 2023. (20 marks)
- (Total 100 marks)

END