

THE OPEN UNIVERSITY OF SRI LANKA
CERTIFICATE IN ENTREPRENEURSHIP AND SMALL BUSINESS
MANAGEMENT
FINAL EXAMINATION – 2009
INTRODUCTION TO ACCOUNTS AND FINANCE –MCC 1206
DURATION – TWO (2) HOURS



DATE: 12th December 2009

TIME: 1.30 pm- 3.30pm

INSTRUCTIONS

- Answer only four (4) questions including question no 1.
- Non programmable calculators are allowed to use.

Q1.

The following trail balance was prepared in the Kumar Traders for the year ending 31st December 2008

Balances	Dr (Rs)	Cr (RS)
Cash & Bank	41,000	
Insurance	18,000	
Electricity	21,000	
Bank charges	4,000	
Land & Building/ Accumulated Deprecation as at 1.1.2008	750,000	250,000
Furniture and Fittings/ Accumulated Deprecation as at 1.1.2008	500,000	200,000
Bad debts	4,200	
Commission Received		24,000
Sales return	9,000	
Purchase Return		6,800
Debtor	52,000	
Stock as at 1.1.2008	31,000	
creditor		43,000
Bank Loan of 12%		250,000
Bank interest paid on Loan	13,000	
Discount paid	4,000	
Discount received		8,000
Salary	31,000	
Advertising	18,000	
Rates	14,000	
Purchases	910,000	
Sales		1,730,000
Drawings by Kumar	27,000	
Telephone	15,000	
Packaging	7,000	
Investment of 8%	400,000	
Investment income received		13,000
Carriage inwards	5,600	
Capital made by Kumar		350,000
	2,874,800	2,874,800

Consider the following information also.

- Closing stocks were valued at Rs.23,000/= as on 31/12/2008
- Salary paid to the servant boy worked at Mr. Kumar house amounting to Rs.3000/= was included in the salary shown in the trial balance.
- Monthly bill payable on electricity charges for the month of December 2008 was received in the month of January 2009.
- In insurance and advertising payments, respectively Rs.2000 and Rs.3000 can be forwarded to next year.
- Buildings were to be depreciated at a rate of 5 % in the straight line method.
- Furniture and fittings were to be depreciated at a rate of 10 % in the reducing balance method.
- Both investments and bank loan shown in the balance sheet have been appearing in the company ledgers since the beginning of this year. Interest on bank loan and investment income receivable from the investments were found to be arrears at the end of the year.
- Out of the total debtors appearing in the trial balance, Rs.3000/= was to be written off as bad debts and in the remaining debtors, 5% was to be reserved for provision for doubtful debts.

You are required to prepare,

- Trading, Profit and loss account to Kumar Traders for the year ending 31/12/2008
- Balance Sheet as at 31/12/2008 (40 Marks)

Q2.

Amal is an entrepreneur who is involved in the manufacture of cakes to the local market. The following information is furnished to you over the manufacturing business for the year 2008.

Raw materials purchased Rs.167,000/=

Carriage inward for raw materials Rs.4,500/=

Rent and rates paid Rs.12,000/= (factory occupies 60% of the total area)

Other indirect raw materials Rs.15,000/=

Power and electricity Rs.28,000/= (20 % goes for office administration)

Direct Wages Rs.78,000/=

Telephone Rs.7,000/= (80 % goes for administration and sales division)

Supervisor's salary Rs.20,000/=

Work in progress as at 1/1/2008, Rs.21,000/=

Work in progress as at 31/12/2008, Rs.11,000/=

Depreciation on fixed assets Rs.27000/= (Depreciation on machinery is accounted for 2/3 of the total depreciation)

Raw material stock as at 1/1/2008, Rs.15,000/=

Raw material stock as at 31/12/2008, Rs.12,000/=

You are required;

- a) To prepare the manufacturing account of Amal for the year ending 31/12/2008.
- b) To determine cost of production for a packet of cake, if Amal could produce 20000 packets of same size in the year 2008.

- c) To find out the selling price per packet of cake, If 25% margin is added with the cost of production. (20 Marks)

Q3.

Vijay established a retail business on 1st March 2009. Following transactions took place in his retail business during the first month operations.

- 1/3/2009 Vijay made an investment of Rs.300,000 as cash and commenced the business.
4/3/2009 Goods purchased on cash at Rs.45,000
6/3/2009 Sales made on cash was at Rs.52,000
11/3/2009 Goods purchased on credit at Rs.40,000 from Fernando
14/3/2009 Sales made on credit to Mohan at Rs.52,000
17/3/2009 Electricity and telephone bills paid were Rs.4,200 and Rs.3,500 respectively.
19/3/2009 Cash paid to Fernando Rs.30,000
21/3/2009 Commission income received for providing delivery service to another organization was Rs.8,000.
23/3/2009 Mohan paid cash to settle his entire credit.
24/3/2009 Salary paid to one employee was at Rs.5,500
27/3/2009 Sales made to Mahen was at Rs.27,000
31/3/2009 Cash drawings made by Vijay was at Rs.8,000

For the above transactions prepare

- Prime entry books
- Double entries in appropriate ledgers.
- Show the balances in the trial balance. (20 Marks)

Q4.

- I. "Cash book plays a dual role". Explain this statement
- II. Explain the significance of petty cash book for small scale entrepreneur.
- III. Describe the different sources available for Sri Lankan entrepreneurs to meet their fixed capital requirements.
- IV. Discuss the various options as to how entrepreneurs can utilize the excess cash appearing in the cash budget. (20 Marks)

Q5 Write short notes to any four (4) from the following

- I. Accounting equation
- II. Working capital
- III. Cash flow statement
- IV. Job costing
- V. Break-Even Analysis
- VI. Accounting ratios (20 Marks)