

THE OPEN UNIVERSITY OF SRI LANKA
FACULTY OF MANAGEMENT STUDIES



BACHELOR OF MANAGEMENT STUDIES HONOURS
BMSHONS IN ACCOUNTING AND FINANCE
BMSHONS IN HUMAN RESOURCE MANAGEMENT
BMSHONS IN MARKETING MANAGEMENT

AFU 3401 – FINANCIAL ACCOUNTING
FINAL EXAMINATION - 2024/2025
DURATION – THREE (03) HOURS

DATE: 29TH JUNE 2025

TIME: 9.30 A.M. – 12.30 P.M.

Instructions:

- Answer all the questions.
- Marks have been mentioned at the end of each question.
- Please write your Index Number clearly in the space provided in the answer booklet.
- This question paper consists of four (04) typed pages.
- All workings must be clearly mentioned.
- The use of non-programmable calculators is permitted.

Question 01

- I) Arvin Traders is a Sole Proprietorship. The Trial Balance extracted from the books of accounts of Arvin Traders as at 31.03.2025 is given below.

Arvin Traders
Trial balance as at 31st March 2025 (Rs.'000)

Description	Debit	Credit
Sales and Purchases	13,000	35,000
Property Plant and Equipment-at cost		
Land & Building	2,000	
Machines	1,000	
Furniture	1,000	
Computers	1,500	
Delivery Lorry	2,000	
Accumulated depreciation as of 01 st April 2024		
Building		200
Machines		100
Furniture		120
Computers		130
Delivery Lorry		200
Trade receivables and payables	12,000	11,000

Inventory as at 01 st April 2024	7,000	
Provision for doubtful debt as of 01 st April 2024		150
Capital as at 01 st April 2024		20,700
5% Fixed Deposit	5,000	
Salaries to staff	3,900	
12% Bank loan		10,000
Electricity charges	600	
Cash at Bank	3,000	
5% Long term Investment	10,000	
Cleaning expenses	1,500	
Rent Income		1,500
Cash in Hand	16,500	
Commission income		500
Investment Income		400
	80,000	80,000

The following additional information is provided.

- 1) The closing inventory was valued on 31/03/2025 at cost as Rs. 5, 750,000. The net realizable value of this inventory was Rs.5,500,000.
- 2) Receivable commission income for the current accounting year is Rs. 100,000.
- 3) Rent income for each month is a fixed amount of Rs.120,000. The remaining rent income has been received for the next accounting period.
- 4) Out of the electricity charges paid by the business, only 50% belongs to the current accounting period.
- 5) Cleaning expenses for the Month of March 2025 Rs. 50,000 has not yet been paid.
- 6) The business has invested in the fixed deposit on 01/07/2024.
- 7) Property Plant and Equipment are to be depreciated on the straight-line basis at cost.
 - Building : 10% (The value of the Land is Rs.1,500,000.)
 - Machine : 05%
 - Furniture : 10%
 - Delivery Lorry : 10%
 - Computers : 05%
- 8) The owner decided to write off Rs.100,000/- from a debtor as bad debts, and to make a general provision of 5% for doubtful debts on the remaining trade receivable balance as at 31st March 2025.
- 9) The Bank loan has been borrowed on 01/10/2024.
- 10) Long term investment has been made on 01st April 2024.

You are required to prepare the following:

- i) Statement of Income for the Year Ended 31st March 2025.
- ii) Statement of Financial Position as at 31st March 2025.

(40 marks)

Question 02

The following transactions have been extracted from the accounts of Rocky Enterprises, a retail business, for the Month of April 2025.

1. Mr. Sunny started the business by investing Rs. 2,000,000 in cash, Rs. 300,000 worth of equipment, and Rs. 400,000 worth of inventory.
2. The business purchased office furniture worth Rs. 250,000 and paid by cash.
3. Purchased inventory worth Rs. 500,000 on credit from Global Suppliers.
4. Sold inventory costing Rs. 200,000 to Mr. Nimal for Rs. 280,000 on credit.
5. Paid Rs. 100,000 in cash for advertising expenses.
6. Returned damaged inventory worth Rs. 50,000 to Global Suppliers.
7. Mr. Sunny contributed additional capital of Rs. 300,000 in cash to the business.
8. Paid Rs. 400,000 to Global Suppliers to settle the total due, subjecting to a discount.
9. Mr. Sunny withdrew Rs. 75,000 from the business for personal use.
10. Received Rs. 250,000 in cash from Mr. Nimal in full settlement, allowing Rs. 30,000 discounts.
11. Paid salaries to employees amounting to Rs. 120,000.
12. Purchased a new delivery van from Shan Automobile for Rs. 800,000; paid Rs. 500,000 in cash, balance on credit.
13. Paid Rs. 25,000 for electricity and water expenses.
14. Deposited Rs. 200,000 business cash into a fixed deposit account.
15. Received Rs. 90,000 in cash as rent income.

You are required to;

Enter these transactions into the basic accounting equation.

(20 marks)

Question 03

- I. What are the main components of Manufacturing cost of a production business? Explain briefly with examples. (05 marks)

II. The cash book of Crystal Waters Ltd. showed a debit balance of Rs. 84,200 as at 31st May 2025. On comparing the cash book with the bank statement, the following discrepancies were found.

1. Bank charges of Rs. 2,250 were entered into the bank statement but not yet recorded in the cash book.
2. A standing order for Rs. 5,000 relating to insurance premium was made by the bank on 25th May, but no entry appears in the cash book.
3. A direct credit of Rs. 18,000 from a customer was recorded only in the bank statement on 30th May.
4. A cheque for Rs. 9,500 (Cheque No.1120) issued on 28th May had not been presented for payment by 31st May.
5. A cheque deposit of Rs. 11,200 (Cheque No.3110), made on 30th May, had not been credited by the bank as of 31st May.

6. A cheque of Rs. 3,000, received from a customer, was dishonoured and debited in the bank statement on 29th May. No adjustment has been made to the cash book regarding this dishonoured cheque.
7. A bank interest income of Rs. 1,800 was credited by the bank on 31st May but not recorded in the cash book.
8. Cheque book charges Rs.1,000 were identified from the bank statement.
9. A cheque of Rs. 4,600, issued to a supplier, was recorded in the cash book as Rs. 6,400 in error.
10. The bank recorded a wrong debit of Rs. 2,800 in Crystal Waters Ltd.'s account due to a transaction meant for another customer.

You are required to prepare:

- a) Adjusted Cash Book as at 31st May 2025.
- b) Prepare the Bank Reconciliation Statement as at 31st May 2025, starting with the Adjusted Cash Book balance.

(15 marks)

(20 marks)

Question 04

1) The trial balance of Trevin Bakers did not agree, and the difference of Rs.6,500 was debited to the suspense account. On investigation, the following errors were discovered.

1. The purchases account was overcast by Rs. 4,000.
2. A motor vehicle purchased for Rs. 200,000 was wrongly debited to the purchases account.
3. Rs. 25,000 received from a debtor was credited to his account as Rs. 2,500.
4. A sale of Rs. 18,000 was recorded as Rs. 81,000 in the sales account.
5. Rent paid Rs. 6,000 was debited to the wages account.
6. A cash sale of Rs. 15,000 were not recorded at all in the books.
7. Rs. 1,200 paid for cleaning was debited to the stationery account.
8. The total of the discount allowed column in the cash book was under-cast by Rs. 500.
9. A credit purchase of Rs. 22,000 from a supplier was recorded correctly in the purchases journal but not posted to the supplier's account.
10. A payment of Rs. 8,000 for repairs was completely omitted from the accounts.
11. Rs. 3,500 paid for advertising was wrongly credited to the sales account.
12. A receipt of Rs. 12,000 from a customer was entered twice in the cash book.
13. A purchase return of Rs. 7,000 was not recorded in the return outwards account.
14. Wages of Rs. 9,000 paid in cash were recorded only in the cash book but not posted to the wages account.
15. A cheque of Rs. 5,500 received from a debtor was recorded in the cash book but not recorded in the debtor's account.

You are required to:

- a) Prepare the Suspense Account
- b) Write journal entries for error rectification

(20 Marks)

(Total Marks =100)

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