

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



AFU3401 – FINANCIAL ACCOUNTING
FINAL EXAMINATION – 2025 / 2026
DURATION – THREE (03) HOURS

DATE: 5th JULY 2026

TIME: 01.30 P.M. – 04.30 P.M.

INSTRUCTIONS:

- This question paper consists of four (04) questions. Answer all of them.
- This question paper consists of four (04) typed pages.
- All the workings should be clearly mentioned in the answer booklet.
- The marks have been mentioned at the end of each question.
- The use of non-programmable calculators is permitted.

Question 01

- a) The following information has been extracted from the Trial Balance of Alex Traders as at 31st March 2026.

Details	Dr (Rs.'000)	Cr (Rs.'000)
Capital (01.04.2025)		18,800
Property, Plant & Equipment (at cost)		
Land and Building	7,500	
Motor Vehicles	10,000	
Office Equipment	9,000	
Accumulated Depreciation (01.04.2025)		
Building		1,000
Motor Vehicles		2,500
Office Equipment		3,500
Cash at Bank	3,000	
Cash in Hand	3,000	
Trade Receivables & Payables	9,500	6,000
Sales & Purchases	10,500	32,000
Inventory (01.04.2025)	8,000	
5% Bank Loan		4,500
Salaries	3,500	
Cleaning Expenses	2,500	
Electricity	1,500	
Commission Received		1,500
Telephone charges	1,000	
Rent Income		1,200
Commission charges	2,000	
	71,000	71,000

The following additional information is also provided.

1. The closing inventory as at 31st March 2026 is valued at cost of Rs. 5,750,000 and its net realizable value (NRV) is Rs. 5,500,000.
2. Depreciation is to be provided on property, plant and equipment using the straight-line method at the following rates.
 - Motor Vehicles: 15% p.a.
 - Building: 10% p.a. (Value of Land: Rs.4,000,000)
 - Office Equipment: 5% p.a.
3. The bank loan was obtained by the business on 1st July 2025.
4. At the end of the year, cleaning expenses amounting to Rs. 200,000 for the current year remain unpaid.
5. Commission charges have been paid for a period of 15 months commencing from 1st April 2025.
6. Out of the commission received during the year, only 75% relates to the current accounting period, while the remaining relates to the next accounting period.
7. Out of the total rent receivable for the accounting period, only 90% has been received.
8. The business has decided to write off Rs. 200,000 as bad debts. It is further required to create a provision for doubtful debts at 5% on trade receivables, as no provision existed previously.

Required: 1. Income Statement of Alex Traders for the year ended 31st March 2026.

2. Statement of Financial Position of Alex Traders as at 31st March 2026.

(30 Marks)

- b) Name five stakeholders who are interested in financial accounting information and explain the reason for each stakeholder's interest.

(10 Marks)

(40 Marks)

Question 02

The following transactions relate to the business of Mr. Avin for the month of March 2026.

- 1) 01/03/2026: Mr. Avin commenced business with cash Rs. 600,000, furniture Rs. 900,000 and office equipment Rs. 750,000.
- 2) 02/03/2026: Deposited Rs. 250,000 cash into the business bank account.
- 3) 03/03/2026: Purchased goods worth Rs. 180,000 from Mr. Sam paying Rs. 80,000 by cheque and agreed to settle the balance later.
- 4) 05/03/2026: Purchased a motor vehicle for Rs. 900,000 through a bank loan.
- 5) 07/03/2026: Sold goods to Mr. Kevin for Rs. 140,000, receiving Rs. 60,000 in cash.
- 6) 09/03/2026: Mr. Kevin paid Rs. 75,000 as the full settlement of the pending payment.
- 7) 11/03/2026: Paid shop rent Rs. 24,000 by cheque.
- 8) 14/03/2026: Returned goods to Mr. Sam valued at Rs. 25,000.
- 9) 17/03/2026: Settled the full amount due to Mr. Sam after deducting the received discount of Rs. 8,000.
- 10) 20/03/2026: Received Rs. 30,000 commission income.
- 11) 24/03/2026: Owner withdrew cash Rs. 20,000 and inventory costing Rs. 15,000 for personal use.
- 12) 31/03/2026: Additional capital of Rs. 100,000 was introduced by the owner directly into the business bank account.

Required:

1. Write the double entry for each transaction. (10 Marks)
 2. Record the impact of each transaction on the basic accounting equation (10 Marks)
- (20 Marks)**

Question 03

- a) Explain four common causes of differences between the cash book balance and the bank statement balance. (04 Marks)
- b) The Cash Book of Mr. Perera showed a debit balance of Rs. 158,500 as at 31st March 2026. On comparison with the Bank Statement, the following differences were identified.
- 1) Cheques issued within the month amounting to Rs. 42,000 had not yet been presented for payment.
 - 2) Cheque deposits of the month amounting to Rs. 35,000 had not yet been credited by the bank.
 - 3) Bank charges of Rs. 2,500 appeared in the bank statement only.
 - 4) A customer has directly deposited Rs. 18,000 into the bank account.
 - 5) Interest income of Rs. 4,000 was credited by the bank but not yet recorded in the cash book.
 - 6) A standing order payment of Rs. 8,000 appeared in the bank statement only.
 - 7) Cheque book charges of Rs. 1,500 were debited by the bank only.
 - 8) Cheques issued in February 2026 amounting to Rs. 9,000 is still unpresented as at 31st March 2026.

Required:

1. Prepare the Adjusted Cash Book as at 31st March 2026.
 2. Prepare the Bank Reconciliation Statement as at 31st March 2026 by using adjusted cash book balance. (16 Marks)
- (20 Marks)**

Question 04

- a) A Manufacturing Company provided the following information for the year ended 31st March 2026.
- Opening Raw Material Inventory – Rs. 50,000
 - Purchases of Raw Materials – Rs. 300,000
 - Direct Labour Cost – Rs. 180,000
 - Factory Rent – Rs. 60,000
 - Closing Raw Material Inventory – Rs. 40,000
 - Office Rent – Rs. 30,000
 - Factory Electricity – Rs. 20,000
 - Depreciation of Factory Equipment – Rs. 40,000
 - Indirect Factory Wages – Rs. 25,000
 - Advertising Expenses – Rs. 20,000
 - Insurance cost for administrative building – Rs. 15,000

You are required to calculate

1. Cost of Raw Materials Consumed
2. Prime Cost
3. Total Manufacturing Cost

(10 Marks)

b) The trial balance of Yaara Traders as at 31st March 2026 did not agree, and a suspense account with a debit balance of Rs. 19,200 was created to balance the books. Subsequently, the following errors were discovered.

- 1) Cash Purchases of Rs. 12,000 were completely omitted from the books.
- 2) Sales of Rs. 10,000 were recorded twice in the sales account.
- 3) Cash received from a debtor amounting to Rs. 25,000 had been correctly entered in the Cash Book but omitted from the debtor's account.
- 4) A discount received of Rs. 12,000 had been credited to the Discount Allowed Account.
- 5) Sales returns amounting to Rs. 18,000 had been entered only in the Debtor's account.
- 6) Insurance paid of Rs. 5,000 was debited to the Electricity bill account.
- 7) A payment of Rs. 40,000 for rent had been debited to the Rent Account as Rs. 4,000.
- 8) Goods purchased from Mr. Rovon amounting to Rs. 30,000 had been completely omitted from the books.
- 9) A cheque received from a customer amounting to Rs. 22,000 had been entered correctly in the cash book (bank column) but credited to the customer's account as Rs. 2,200.
- 10) Sales, Rs. 6,000 were incorrectly credited to purchases account instead of sales account.

You are required to;

1. Write the journal entries to rectify the errors
2. Prepare the Suspense Account

(10 Marks)

(20 Marks)

(Total = 100 Marks)

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