

**THE OPEN UNIVERSITY OF  
SRI LANKA**



**Short Course in  
Financial Accounting  
2022**

**Final  
Assignment**

**DEADLINE FOR SUBMISSION:  
30.08.2022**

**FACULTY OF MANAGEMENT STUDIES  
THE DEPARTMENT OF ACCOUNTING AND  
FINANCE**

**Aim:**

The assignment is designed to test your understanding of fundamental of financial accounting.

**Learning Outcomes:**

On successful completion of this assignment, the student will be able to record specific transactions related to the Sole Proprietorship and prepare financial statement for the same entity.

The general ledger of Senok Enterprises, a sole proprietorship, contained the following balances on 01<sup>st</sup> January 2022.

| <b>Account Description</b>               | <b>Rs. 000</b> | <b>Account Description</b>  | <b>Rs. 000</b> |
|--|----------------|-----------------------------|----------------|
| Land - Cost                              | 15,000         | Motor Vehicles              | 9,600          |
| Building - Cost                          | 9,500          | Office Equipments           | 1,200          |
| Machineries - Cost                       | 8,000          | Office Furniture            | 1,000          |
| Motor Vehicles - Cost                    | 12,000         | 14% Fixed Deposit           | 3,000          |
| Office Equipments - Cost                 | 3,000          | 12% Bank Loan               | 105            |
| Office Furniture - Cost                  | 2,500          | Interest Receivables        | 25.00          |
| Capital                                  | 32,250         | Interest Payable            | 25             |
| Retained Profit                          | 8,962          | Investment in Listed Shares | 1,000          |
| General Reserve                          | 2,000          | Prepaid Expenses            | 533.00         |
| Opening Stock                            | 3,500          | Expense Payable             | 126.00         |
| Trade Debtors                            | 7,500          | Provision for Bad Debts     | 375.00         |
| Trade Creditors                          | 6,500          | Cash at Bank                | 3,500          |
| <b><u>Provision for Depreciation</u></b> |                | Cash in Hand                | 430            |
| Building                                 | 1,900          | Petty Cash Balance          | 70             |
| Machineries                              | 3,200          |                             |                |

Debtor and Creditors balances are as follows.

| <b>Debtor Name</b> | <b>Balance Rs. 000</b> |
|--------------------|------------------------|
| Kimuthu Traders    | 2,500                  |
| Lincon Traders     | 3,200                  |
| Paragon Traders    | 1,800                  |
| <b>Total</b>       | <b>7,500</b>           |

| <b>Creditor Name</b> | <b>Balance Rs. 000</b> |
|----------------------|------------------------|
| Arabic Traders       | 2,300                  |
| Vikum Traders        | 2,950                  |
| Rovin Traders        | 1,250                  |
| <b>Total</b>         | <b>6,500</b>           |

The petty cash imprest is Rs. 70,000; the following transaction took place giving the month of January 2022.

02<sup>nd</sup> January 2022

- An old motor vehicle was sold on credit to Zenith Motors for Rs. 400,000 (Purchased cost was Rs. 1,000,000 on 02<sup>nd</sup> January 2017)
- Cheque Payment of Rs. 2,600,000 made for purchase of goods

04<sup>th</sup> January 2022

Credit Purchases from

Arabic Traders – 10% Discount on the Invoice INV 0063

|        | Price (Rs.) | Quantity | Value (Rs.) |
|--------|-------------|----------|-------------|
| Item A | 50          | 35,000   | 1,750,000   |
| Item B | 30          | 75,000   | 2,250,000   |
| Item C | 20          | 75,000   | 1,500,000   |

Vikum Traders – 5% Discount on the Invoice INV 0203

|        | Price (Rs.) | Quantity | Value (Rs.) |
|--------|-------------|----------|-------------|
| Item X | 20          | 25,000   | 500,000     |
| Item Y | 40          | 25,000   | 1,000,000   |
| Item Z | 60          | 35,000   | 1,800,000   |

Rovin Traders – 10% Discount on the Invoice INV 0525

|        | Price (Rs.) | Quantity | Value (Rs.) |
|--------|-------------|----------|-------------|
| Item A | 50          | 20,000   | 1,000,000   |
| Item B | 30          | 30,000   | 900,000     |
| Item C | 20          | 20,000   | 400,000     |

06<sup>th</sup> January 2022 - Petty Cash Payments

- Stationery Rs. 8,000 (Petty Cash Voucher - PCV 001)
- Taxi charges Rs. 6,000 (PCV 002)
- Postage Rs. 4,000 (PCV 003)
- Other Expenses Rs. 5,000 (PCV 004)
- Welfare Expenses Rs. 7,000 (PCV 005)

08<sup>th</sup> January 2022

- Zenith Motors has given a cheque in settlement of Rs. 400,000 and it was banked on the same day
- Receipts
  - Sales on Cheque Rs. 4,500,000
  - Sundry Income Rs. 220,000
  - Cash Sale Rs. 1,500,000
- Payments –
  - Purchases by Cheque Rs. 2,200,000
  - Expense Payable Rs. 35,000
  - Postage Rs. 8,000
- Sale of goods on credit  
Kimuthu Traders – INV 0056

|        | Price (Rs.) | Quantity | Value (Rs.) |
|--------|-------------|----------|-------------|
| Item P | 70          | 40,000   | 2,800,000   |
| Item Q | 80          | 50,000   | 4,000,000   |
| Item R | 65          | 25,000   | 1,625,000   |

Lincon Traders – INV 0057

|        | Price (Rs.) | Quantity | Value (Rs.) |
|--------|-------------|----------|-------------|
| Item P | 70          | 30,000   | 2,100,000   |
| Item Q | 80          | 35,000   | 2,800,000   |
| Item R | 65          | 25,000   | 1,625,000   |

Paragon Traders – INV 0058

|        | Price (Rs.) | Quantity | Value (Rs.) |
|--------|-------------|----------|-------------|
| Item P | 70          | 30,000   | 2,100,000   |
| Item Q | 80          | 35,000   | 2,800,000   |
| Item R | 65          | 25,000   | 1,625,000   |

10<sup>th</sup> January 2022

▪ Purchases return to

- Arabic Traders – Debit Note -008

|        | Price (Rs.) | Quantity | Value (Rs.) |
|--------|-------------|----------|-------------|
| Item C | 20          | 25,000   | 500,000     |

- Vikum Traders – Debit Note -009

|        | Price (Rs.) | Quantity | Value (Rs.) |
|--------|-------------|----------|-------------|
| Item X | 20          | 5,000    | 100,000     |

▪ Sales Return by

- Paragon Traders – Credit Note - 005

|        | Price (Rs.) | Quantity | Value (Rs.) |
|--------|-------------|----------|-------------|
| Item P | 70          | 20,000   | 1,400,000   |

14<sup>th</sup> January 2022

- Cash Deposited to Bank Rs. 1,000,000

16<sup>th</sup> January 2022

▪ Petty Cash Payments

| <b>Expense</b>   | <b>Rs.</b> | <b>Voucher</b> |
|------------------|------------|----------------|
| Stationery       | 9,000      | PCV 006        |
| Taxi Charges     | 8,000      | PCV 007        |
| Postages         | 7,000      | PCV 008        |
| Other Expenses   | 2,000      | PCV 009        |
| Welfare Expenses | 7,000      | PCV 010        |

18<sup>th</sup> January 2022 – Reimbursement of Petty Cash

19<sup>th</sup> January 2022

- Received opening balances from following debtors and allowed 5% Discount

|                 | Percentage Settled |
|-----------------|--------------------|
| Kimuthu Traders | 100%               |
| Lincon Traders  | 50%                |
| Paragon Traders | 30%                |

- Made Settlement to Suppliers for full settlements on Opening Balances

|                | Amount |
|----------------|--------|
| Arabic Traders |        |
| Vikum Traders  |        |
| Rovin Traders  |        |

20<sup>th</sup> January 2022

- Dividend Income Rs. 50,000 received by a cheque

- Bill Settlements by Cheque

- Salary Rs. 1,300,000
- EPF 15% - Rs. 195,000
- ETF 5% - Rs. 39,000
- Secretarial Expenses Rs. 15,000

- Cash Settlements

- Advertizing Rs. 12,000
- Business Promotion Rs. 25,000
- Expense Payable –
  - Telephone Bill – Rs. 15,000
  - Water Bill – Rs. 8,000
  - Repair Fee – Rs. 2,500

25<sup>th</sup> January 2022

Purchased furniture for Rs. 1,000,000 on Credit from Uncommon Homes

28<sup>th</sup> January 2022

Owner has taken Rs. 200,000 for his personal use

### **Additional Information**

- ❖ Closing stock as at 31<sup>st</sup> January 2021 Rs. 4,500,000
- ❖ Depreciation on Straight Line Method
  - Building 5%
  - Machineries 10%
  - Motor Vehicles 20%
  - Office Equipments 10%
  - Office Furniture 10%
  
- ❖ Bills Payable
  - Electricity Bill Rs. 35,000
  - Telephone Bill Rs. 15,000
  - Water Bill Rs. 8,000
  - Repair Fee Rs. 2,500
  - System Fee Rs. 52,000
  - Rent and Rates Rs. 35,000
  
- ❖ Expenses relevant for the period from Prepayments
  - Insurance Rs. 45,000
  - Maintenance Fees Rs. 9,000
  - Membership Fees Rs. 6,000
  
- ❖ Provision for Bad Debts 2% from the closing balance
- ❖ Bank Balance as per the Bank Statement shows Rs. 3,660,500 and the following information was found
  - Chequ Issued but not presented to the Bank Rs. 2,600,000
  - Cheque Deposited to the bank was not realized Rs. 400,000
  - Bank Charges Rs. 10,500

You are required to:

- i. Enter the above transactions of the month of January 2022 in **relevant primary books**. (Main/General Journal, Triple column cash book, Sales & Purchase Journal, Sales & Purchase Return Journal & Petty cash book Only) **(40 Marks)**
- ii. Post the entries to the **relevant ledger accounts** from the books of primary entries.  
**(20 Marks)**
- iii. Prepare the **Trail Balance** as at 31<sup>st</sup> January 2022 **(20 Marks)**
- iv. The **Statement of Income** for the month ended 31<sup>st</sup> January 2022 **(40 Marks)**
- v. The **Statement of Financial Position** as at 31<sup>st</sup> January 2022 **(40 Marks)**
- vi. Bank Reconciliation Statement with Adjusted Bank/Cash Book **(20 Marks)**
- vii. **The Short report** on Performance and Financial position of the Business (Compare the Previous Month Results)  
**(20 Marks)**

**(Total 200 Marks)**

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