



SLIATE

SRI LANKA INSTITUTE OF ADVANCED TECHNOLOGICAL EDUCATION

(Established in the Ministry of Higher Education, vide in Act No. 29 of 1995)

Higher National Diploma in Building Services Engineering
Third Year, Second Semester Examination – 2016
BSE 3202 - Finance and Accounting

Instructions for Candidates:

Answer five questions **including questions 01 and 02**

No. of questions : 06

No. of pages : 06

Time : **3 hours**

01 The following Trial balance was extracted from Sumudu Traders as at 31st December 2016:

	Rs.000'	
	Dr	Cr
Stock as at 1/1/2016	200	
Capital		3,000
Freehold Lands at cost	1,200	
Buildings at cost	1,200	
Motor Vehicle at cost	250	
Furniture Fittings at cost	500	
Provision for Depreciation as at 1/1/2016		
Buildings		300
Motor Vehicle		185
Furniture Fittings		100
Sales		2,400
Purchases	1300	
Debtors	460	
Creditors		300
Return Inwards	100	
Discount Allowed	30	
Discount Received		20
Return Outwards		50
Telephone Charges	4	
Insurance	3	
Advertising	8	
Building repairs	6	

Bank Loan		300
Drawings	10	
Salaries & wages	44	
Interest	30	
Cash at bank	750	
Cash in hand	560	
	6,655	6,655

Additional Information:

- i. Stock was Rs.240,000 as at 31/12/2016
- ii. The following expenses were pre-paid in the current financial year:
 - For advertising Rs. 3000
 - For telephone charges Rs. 1000
- iii. Salaries & wages for the month of December, 2016 amounting to Rs. 4000 was not paid yet
- iv. Depreciation is charged as follows:
 - For buildings 5% of cost
 - For motor vehicles 10% of cost
 - For furniture & fittings 10% of cost

Required:

- a) Prepare the Trading, Profit & Loss Account for the year ended on 31/12/ 2016
- b) Prepare the Balance sheet as at 31/12/2016 **(Total 20 marks)**

02. The following transactions were extracted from the books of Sionara Traders of the month of March, 2016:

- i. 1st March - business was started with Rs. 7,500,000
- 3rd March - goods were bought for Rs.1, 100,000 with cash
- 7th March - goods were bought amounting to Rs.3, 200,000 on credit from Herath Traders
- 10th March - goods were sold amounting to Rs. 640,000 on cash
 - Goods were sold to Amaranath amounting to Rs.340, 000 on credit

14th March - goods were returned to Herath Traders amounting to Rs.460, 000

24th March - paid to Herath Traders by cash Rs. 140,000

26th March - Amaranath returned goods amounting to Rs. 140,000 due to the expiration

Required to prepare

- a) Ledger Accounts (8 Marks)
b) Trial balance as at 31st March 2016 (2 Marks)

ii. The following information is an extract from the books of Dinidu Traders:

	Rs. 000'
Sales	10,000
Gross profit	4,500
Net profit	2,500
Opening Stocks	950
Closing stocks	450
Opening Debtors	325
Closing Debtors	125
Current Assets	3,500
Current Liabilities	2,000

Assumption: 45% of the sales was occurred on credit basis

It is required to compute the following ratios:

- a) Net profit Ratio
b) Stock Turnover Ratio
c) Current Ratio
d) Debt Turnover Ratio
e) Debt Collection Period (10 marks)

(Total 20 marks)

03.

i. The following information is related to the stock ledger of the PQR Company:

			No of Units	Unit Price	Total value
January 01	-	Opening stock	1000		Rs. 30,000
January 13	-	Issued	500		
January 14	-	Received	800	Rs. 28	
January 15	-	Issued	600		
January 29	-	Received	2000	Rs. 35	
January 30	-	Issued	800		

Calculate the closing stock value based on the following methods:

- FIFO
- Weighted Average

(14 Marks)

ii. Delta manufacturer quarterly demands 2,000 units of material "A". The cost of purchasing an order is Rs 50. Storage and carrying cost is 25% on cost per unit. The cost per unit is Rs 128.

It is required to compute the following:

- Economic Order Quantity (EOQ)
- Best number of order per year?

(06 Marks)

(Total: 20 Marks)

04.

A company is considering the following two alternative investments, each having an initial investment of Rs. 400,000. The expected return on capital is 10% and earnings are expected to be as follows:

Year	Machine 1 (Rs)	Machine 2(Rs)
1	40,000	120,000
2	120,000	160,000
3	160,000	200,000
4	240,000	120,000
5	160,000	80,000

Required:

- a) Compute the Pay Back Period of each investment
- b) Advise the company on investment decision based on NPV Approach

(Total: 20 Marks)

05.

- i. State the importance of standard costing.

(02 Marks)

- ii. Explain favorable and unfavorable variances.

(04 Marks)

- iii. A company is expecting to have Rs.100, 000 each in hand on 1st April 2016 and it is required for you to prepare the cash budget for the three months, April to June 2016. The following information is supplied to you:

Month	Sales Rs.	Purchases Rs.	Administration Rs.	Finance Expenses Rs.
February	150,000	80,000	9,000	5,000
March	100,000	50,000	15,000	10,000
April	120,000	70,000	4,000	15,000

May	150,000	75,000	18,000	20,000
June	140,000	115,000	12,000	25,000

Additional information:

- Period of credit allowed by suppliers is two months
- 20% of sales is on cash, balance on credit and the amount is to be collected in the next month.
- Delay in paying Administration and Finance expenses- two months
- Tax Rs.25, 000 is to be paid in May, 2016

(14 Marks)
(Total: 20 Marks)

06.

The following information is related to the product “XYZ”

Unit selling price - Rs. 50

Unit variable cost - Rs. 30

Total fixed cost - Rs. 20,000

Forecast sales – 1700 units

It is required to compute the following:

- a) Unit contribution
- b) Total contribution
- c) Contribution to sales ratio
- d) Breakeven point by units and monetary value
- e) Net profit
- f) Safety of margin in units and monetary value
- g) Number of sales units to get a profit of Rs.20,000

(Total: 20 Marks)