



Department of Education, Sabaragamuwa/weekly school

week- February 1

Subject-Accounting

Grade-12

Prepared by -
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Competency 6.0 – Prepares financial statement of a sole proprietorship business.

Competency Level 6.1 – Explains the importance of financial statements of a sole trader business.

The trial balance of Vimukthi's business as at 2017/03/31 is given below.

| Trial Balance | | |
|--|------------------|------------------|
| Account name | Debit (Rs.) | Credit (Rs.) |
| Land at cost | 1,000,000 | |
| Buildings at cost | 800,000 | |
| Motor vehicles at cost | 1,200,000 | |
| Accumulated depreciation to 2016.04.01 | | |
| Buildings | | 160,000 |
| Motor vehicles | | 240,000 |
| Purchases | 345,000 | |
| Sales | | 920,000 |
| Stock at 2016.04.01 | 35,000 | |
| Trade debtors | 105,000 | |
| Trade creditors | | 230,000 |
| Net salaries & wages | 72,000 | |
| Other administration expenses | 23,000 | |
| 12% Bank loan | | 100,000 |
| Bank loan interest paid | 9,000 | |
| Donations | 2,000 | |
| Cash | 140,000 | |
| Discounts | 2,000 | 14,000 |
| Advertising expenses | 6,000 | |
| VAT paid | 25,000 | |
| Capital | | 2,100,000 |
| | 3,764,000 | 3,764,000 |

Additional information:

When preparing the financial statements the following adjustments must be taken into account.

1. The cost of stock at 2017.3.31 was Rs.120,000 with a realizable value of Rs.100,000
2. Buildings and Motor vehicles are depreciated at 10% per annum.
3. The employees contribution to the Employees Provident Fund (EPF) is 10% while the employer's contribution is 15%. The Employees Trust Fund (ETF) rate is 3%. Provision has not been made for the current year.
4. Purchases and Sales include 15% VAT.
5. Bad debts of Rs.5,000 must be written off while a provision for bad debts has to be made of 10% of the remainder.
6. Other administration expenses include Rs.3000 paid in advance as insurance charges.

Required:

1. The Income Statement for the year ending 2017.03.31
2. The Statement of Financial Position as at 2017.03.31