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Competency 12.0 – Prepares Financial Statements for a Limited Company.

Competency Level 12.4.1 – Preparing of financial statement of Limited Liability Company by applying Sri Lanka Accounting Standards.

Exercise: Trial balance extracted from Saranga PLC as at 31.03.2017 given below

(Rs.'000)

Discription	Dr	Cr
Trade receivable / Trade payable	2 600	2 200
Accrued expenses as at 31.03.2017		200
Prepaid distribution expenses as at 31.03.2017	100	
Property, plant and equipment		
(cost and Accumulated depreciation)		
Land	10 000	
Buildings	4 000	1 000
Motor vehicles	12 000	2 000
Machines	1 400	400
Depreciation for property, plant and equipment	1 000	
Cost of sales and sales	12 000	26 000
Administration Expenses	3 300	
Distribution cost	1 800	
Finance Expense	1 200	
Other Expense	800	
10% Bank Loan		4 000
Lease Creditor (01.04.2016)		4 560
Allowance for expected losses on trade receivables		
(31.03.2017)		800
Income tax payment	1 300	
Stated capital - Ordinary shares (200 000 shares)		5 000
Income tax payment	400	
Retained earnings (01.04.2016)		6 090

Revaluation Reserves		1 500
Salaries and wages	2 000	-
Cost of inventory as at 31.03.2017	1 000	
EPF Payable		150
Repair expense for sales warranty	100	
Cash and cash equivalents	5 000	-
General reserve		8 100
	60 000	60 000

Additional Information

Following facts to be considered in preparing financial statements of Saranga PLC for the year ended 31/03/2017.

 A motor vehicle acquired under a lease on 01/04/2016 by Saranga PLC was correctly recorded. Followings are related to motor vehicles.

Fair value of motor vehicle was Rs. 6000 000. Lease period 4 years. Rs. 1440 000 was paid as down payment. Annual installment of Rs. 1400 000 to be paid at the end of each year. Expected useful life time of the motor vehicle is 5 years. Lease interest included in current and next year lease installments are as follows.

Year	Interest (Rs'000)	
2016/2017	456	
2017/2018	357	

- (2) Bank loan to be paid by 4 installments. First installment to be paid on 30.09.2017. Loan interest was not paid for whole year.
- (3) Property plant and equipment other than lease motor vehicle are used for administration activities. Annual depreciation for property, plant and equipment items given below.
 - Expected useful lifetime of buildings is 40 years.
 - (ii) Motor vehicles other than lease motor vehicles to be depreciated by 10% per annum.
 - (iii) Salvage value of machines at the end of useful time of 10 years was estimated as Rs. 400 000.
 - (iv) Lease motor vehicle was not depreciated for current year.
- (4) Allowance was made as expected losses on trade receivables for a due of Rs. 600 000 from samduni PLC which was a balance under trade receivables. This amount was declared as bankdrupt by the court.
- (5) Management of the company decided to start a provision for sales warranty. 2% of sales to be provided for sales warranty. Amount spent to repair warranted items are included in trial balance.

- (6) 10% contribution from employees from salary was adjusted and, Rs. 50 000 was paid. 15% of employee contribution for EPF and 3% contribution for ETF were not yet adjusted.
- (7) A professional valuer revalued land and buildings on 31.03.2017 as follows.

Land Rs. 2500 000 Buildings Rs. 12 000 000

Revaluation surplus and deficits were recognized in previous revaluations' and valuation reserve consisted with

Surplus on building revaluation - Rs. 300 000

Surplus in land revaluation - Rs. 1200 000

Rs. 1500 000

- (8) Inventory items cost Rs. 300 000 which include under closing stock is expiring on 10.04.2017 those items were sold for Rs. 320 000 after reducing its prices and Rs. 45 000 was spent for that.
- (9) Income tax for the year is ¼ of the profit before tax.
- (10) Company made a right issue on 01/10/2016 offering ordinary share at 4:1 ratio, it was correctly entered in ledger. Consideration per share was Rs. 25. All share holders exercised their right.
- (11) Following decisions were taken by board of directors on 31. 03. 2017
 - Reserve capitalization using retained earnings at a ratio of 5:1
 - Transfer Rs. 500 000 to general reserves.
 - (iii) Pay Rs. 2/- dividend for ordinary share holders (only for shares available & before reserve capitalizations)

Requied

- Statement of Profit or loss and other comprehensive income for the year ended 31.03.2017
- (ii) Statement of charges in equity for the year ended 31.03.2017
- (iii) Statement of financial position as at 31.03.2017 Exercise for explaining subject matters.