



Department of Education, Sabaragamuwa/weekly school

week- October 1

Subject-Accounting

Grade-13

Prepared by -
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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.

- (i) 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.
- (i) 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 bankrupt 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.

