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.

Trial balance extracted from chandi PLC as at 31.03.2017;

(Rs.'000)

Description	Dr	Cr
Sales		80 600
Cost of sales	52 000	
Eectricity, Rates and Insurance	150	
Advertising and sales promotion expense	400	
Carriage outward charges	100	
Director remuneration	2 000	
Salaries and wages	1 820	
Interest payments	800	
Trade receivable	3 050	
Trade payable		1 700
Interim dividend	2000	
Property, plant and equipment cost and		
accumulated depreciation		
as at 01.04.2016		
Land and buildings	30 000	2 500
Motor vehilcle	44 000	7 800
Treasury bills (3 months)	3000	700
Cash Balance	3 270	
Petty cash balance	600	
Office equipment	400	
Impairment losses on trade receivables	100	
Allowance for expected losses on trade		
receivables 01.14.2016		200
Audit fee	400	
General reserve	j	1 200
Lease crditor		4 000
Provision for Income tax as at 01.04.2016		150
Income tax payment	380	

Stock as at 31.03.2017 at cost	3 500	
Retained earnings as at 01.4.2016		3 000
Revaluation reserves		1 800
Stated capital - Ordinary shares (200 000 shares)		40 000
Other income		350
Eco emission and licence fee of motor vehicle	30	
12% fixed depost	2 000	
15% Long term Bank Loan		6 000
	150 000	150 000
	150 000	150 000

- Following information to be taken into consideration before preparing financial statements for the year ended 31.03.2017 (All values are expressed in Rs. '000)
- 01. (i) Cost of buildings were Rs. 10 000. Revaluation reserve balance represent the surplus created thorough the land revaluation on 1.04.2014. A professional valuation institute revalued lands on 1.4.2016 again and recognized a deficit / loss of Rs. 2000. The deficit / loss was not yet recorded.
  - (ii) It was correctly recorded the purchase of motor vehicle on 1.4.2016 a finance lease. Lease installment that to be paid at each year end is Rs. 1200. It include on interest of Rs. 200. 4 installment to be paid for self interest at lease and useful life time of the motor vehicle is 5 y ears. Installment paid for current year was debited to trade payable account.
- (iii) All depreciable assets to be depreciated on straight line method by using rates given below.

Buildings 5%

Motor vehicles 20%

Salvage value estimation for office equipment at the end of useful life time of 3 years is Rs. 900.

- (2) Net realizable value of stock as at 31.03.2017 under grouping method was Rs. 3600. But, net realizable value under item by item method was Rs. 3450.
- (3) Board of directors approves financial statements on 02.05.2017. On 10.04.2017 the court informed about the bankruptcy of debtor with above of Rs. 50. This amount should be considered as impairment loss. Allowance for expected loss of trade receivable should increase by Rs. 100.

(4) Accrued expenses as at 31.03.2017 - Electricity 50

Audit fee 100

Prepared expenses as at 31.03.207 - Insurance 50

Advertising & sales promotion 100

- (5) Payable amount of income tax for previous year was settled with in current year 1/10 of profit before tax was assessed as income tax for current year.
- (6) An ex-employee field a case against the company requesting a compensation of Rs. 600. Company lawyers have informed that it have to be paid a compensation of Rs. 500.
  - (7) Fixed deposit was stated on 01.10.2016 and bank informed interest for the period ended 31.03.2017 was added to the fixed deposit. But it was not yet adjusted.
  - (8) Interest payment balance represents the loan interest paid within the year. Loan was obtained prior to 01.04.2016.
  - (9) A computer purchase on 01.10.2016 of Rs. 2000 was wrongly recorded as purchases. Useful life time of computers is 4 years. Computers to be listed as office equipment.
  - (10) Board of directors made following decisions 0n 31.03.2017.
    - Reserve capitalization using retained earnings at a ratio of 20:1.
    - Transfer Rs. 500 to general reserves.
    - Rs. 1 to be paid as dividend for ordinary shareholders.

## 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 31.03.201Exercise for explaining subject matters.