



TERTIARY AND VOCATIONAL EDUCATION COMMISSION
COMMON WRITTEN EXAMINATION - 2021/ 2022



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Diploma in Quantity Surveying		
NVQ Level 05 –Semester I		
Financial Accounting	F45C002M05	Three Hours
Answer only four (04) questions including question number 01		

Question 01

The following trail balance was extracted from the books of Fancy Stores, a sole proprietorship as at 31st March 2022.

Description	Rs.	Rs.
Capital		12,000
Sales		32,100
Purchases	15,000	
Debtors	20,000	
Provision for doubtful debts		600
Creditors		10,000
Furniture & Fittings	2,000	
Accumulated Depreciation		200
Opening Inventory	5,000	
Salaries	3,000	
Wages	2,000	
Rent	1,500	
Insurance	1,200	
Bad debtors written off	700	
Office expense	1,200	
Printing & Stationary	800	
Sales return	1,000	
Drawings	2,400	



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Purchase return		500
Interest earned		400
Total	55,800	55,800

Additional information

Following adjustments are required to be made for the year ended 31.03.2022

- i. Depreciate furniture and fittings by 10% on original cost
- ii. Make a provision for doubtful debts equal to 5% of debtors
- iii. Salaries for the March 2022 amounting to Rs.300 were unpaid, which must be provided for.
- iv. The balance in the wages account includes Rs.200 paid in advanced.
- v. Insurance is prepaid by Rs.200
- vi. Accrued office expenses Rs.800
- vii. Closing inventory was valued as Rs.6,000

You are required to prepare,

- Profit and loss account of the year ended 31st March 2022 **(20 Marks)**
- Statement of financial position as at 31st March 2022 **(20 Marks)**

Question 02

The International Accounting Standards Board (IASB) issued the revised Conceptual Framework for Financial Reporting (Conceptual Framework), a comprehensive set of concepts for financial reporting, in March 2018.

- i. Discuss about the Five (05) enhancing qualitative characteristics of useful financial information **(10 Marks)**
- ii. Discuss about the Five (05) elements of financial statements with relevant examples of each element. **(10 Marks)**



Question 03

Kathy James opens a wholesale sports items shop in Colombo named as Kathy Sports Point. During the first month of operations, she engages in the following transactions:

- i. Mar. 01: Kathy invests Rs. 500,000 in the business.
- ii. Mar. 05: She purchases sports items costing Rs. 180,000.
- iii. Mar. 12: She sells sports items to a retailer for Rs. 80,000 cash, the cost of the sports items sold is Rs. 50,000.
- iv. Mar. 14: Kathy takes Rs. 2,000 cash for her personal use.
- v. Mar. 20: She sells sports items to a retailer for Rs. 120,000 cash, the cost of the sports items sold is Rs. 80,000.
- vi. Mar. 24: She gifts some sports items to a friend. The cost of gifted items is Rs.10,000.
- vii. Mar. 25: Kathy purchased sports items on credit Rs. 40,000.
- viii. Mar. 28: She pays Rs. 5,000 to an organization as charity.
- ix. Mar. 31: She pays monthly rent of the shop amounting to Rs. 25,000.
- x. Mar. 31: She pays salary to the salesman amounting to Rs. 10,000.

You are required to include above transactions in Basic Accounting Equation. **(20 Marks)**

Question 04

The petty cashier of John and James Company paid cash for the following expenditures during January 2022.

- i. 1/01/22 Received Rs.2000 as petty cash imprest.
- ii. 3/01/22 Postage expenses were Rs.200.
- iii. 5/01/22 Paid bus fare Rs.225.
- iv. 7/01/22 Paid train charges Rs.160
- v. 9/01/22 Paid office clearing charges Rs.120
- vi. 12/01/22 Paid to Mervin Rs.170
- vii. 15/01/22 Reimbursed of the petty cash imprest



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- viii. 18/01/22 Paid tea expenses of office Rs.250
- ix. 22/01/22 Purchased office equipment Rs.500
- x. 24/01/22 Carriage inwards of equipment Rs.50
- xi. 26/01/22 Stamps & envelopes Rs.35
- xii. 31/01/22 Paid to Sunil Rs.250

You are required to enter above transactions to the petty cash book & copy them to the ledger.

(20 Marks)

Question 05

All the major cash receipts & cash payment from the business and the bank account are recorded in the cash book and it has dual functions.

- a. Discuss dual functions of cash book in the business.

(08 Marks)

Investment appraisal is a way that a business will assess the attractiveness of possible investments or projects based on the findings of several different capital budgeting and financing techniques. There are numerous ways through which a business can carry out investment appraisals.

- b. Discuss three main investment appraisal techniques by elaborating their advantages and disadvantages.

(12 Marks)