



Financial statement of a business (net profit and statement of financial position)

- ◆ **Answer all the questions.**
- ◆ **Choose the correct or most suitable answer from the (1), (2), (3), (4) answers given in questions 01 –10.**

01. Which of the following accounts includes only the expenditure accounts,

- (1) Salary, bank loan, taxes.
- (2) Salary, bank loan interest, taxes.
- (3) Drawings, interest paid, electricity expenses.
- (4) Drawings, salary, bank loan.

- ◆ **Answer the questions 02, 03 ,04, using the below information.**

A- salary

E- discount received

B- advertising

F- building rent

C- bank loan

G- interest income

D-discount received

H- cash

02. Which of the above items includes only revenues?

- (1) A, H
- (2) G, H
- (3) D, H
- (4) D, G

03. What is the type of expense that E and F belong to respectively?

- (1) Distribution expense, administrative expense.
- (2) Administrative expense, distribution expense.
- (3) Financial expense, administrative expense.
- (4) Other expenses, administrative expense.

04. From the above items what are the components that are not included in preparation of the profit or loss statement?

- (1) C, D only.
- (2) C, H only.
- (3) D, E only.
- (4) G, H only.

05. Out of the following expenses accounts what are the expenses that categorize under financial expense?

- (1) Cash fraud losses.
- (2) Fire damages.
- (3) Bank charges.
- (4) Stationery cost.

♦ Below are the details of income and expenses received during the business accounting period. Consider that information and answer 06,07,08 questions.

	Rs
Sales	450 000
Discount received	15 000
Cost of goods offered for sale	332 000
Interest income	20 000
Building rent income	40 000
Closing stock	10 000

06. The cost of sales of this business is,

- (1) RS 118 000
- (2) RS 332 000
- (3) RS 322 000
- (4) RS 12 800

07. The gross profit of this business is,

- (1) RS 12 800
- (2) RS 322 000
- (3) RS 118 000
- (4) RS 188 000

08. What is the sum of the other incomes of this business?

- (1) RS 510 000
- (2) RS 75 000
- (3) RS 60 000
- (4) RS 490 000

09. What is the correct answer which includes the elements of a financial statement?

- (1) Assets, equity, expenses.
- (2) Assets, income, expenses.
- (3) Assets, expenses, income.
- (4) Assets, equity, liabilities.

♦ **“Other than the reduction of equity due to A , all the other reductions of equity are called as expenses.**

10. What is the suitable answer for ‘A’?

- (1) Capital.
- (2) Losses.
- (3) Drawings.
- (4) Discount allowed.**

11. Gihan's business has given you some information relevant to 2019.

	RS
Sales	700 000
Gross profit	550 000

Other income	150 000
Distribution expense	175 000
Administration expense	425 000
Financial expense	30 000
Other expenses	20 000

What is the net profit of Gihan's business?

- (1) RS 1 400 000
- (2) RS 750 000
- (3) RS 500 000
- (4) RS 50 000

♦ Below are some of the assets that Ramani's business held on the 2019.12.31.

A- Buildings

E- Furniture

B- debtors

G-Fixed deposit

C- Motor vehicle

D-Bank money

12. Out of the above assets what are the assets which falls under current assets.

- (1) A, C and E only.
- (2) B, D and F only.
- (3) B, D and G only.
- (4) B, C, E, and G only.

Part 2

01.Rahal's business account term ends on 2019.12.31. The following information is given to you.

Building rent expense	Telephone expenses	Electricity expense
Insurance expense	Carriage outwards	Advertising expense
Bank charges	Building depreciation	Depreciation of equipment
Cash fraud losses	Bank over draft	Discount allowed

Classify the above expenses under the following headings.

Distribution expense	Administration expenses	Financial expenses	Other expenses

02.Naveens business accounting period ends on 2018.12.31 and following information is provided for you.

	RS		RS
Gross profit	300 000	Bad debts	3 000
Bank charges	20 000	Insurance premiums	10 000
Advertising expense	15 000	Electricity expense	12 000
Other income	20 000	Stationery cost	5 000

Count the following items separately.

- (1) Distribution expense.
- (2) Administration expense.
- (3) Net profit.

03.This is a summary of Naveen's business as at 2018.12.31.

Description	Dr	Cr
Stock as at 2018.01.01.	70 000	
purchases	146 000	
Carriage inwards	5 000	
Loading expenses	4 000	
sales		450 000
Fixed deposit 10 %	50 000	
Fixed deposit interest income		5 000
Machines and equipment	130 000	
Discount received		9 000
Discount allowed	6 000	
Insurance expense	5 000	
Stationery cost	5 000	
Advertising expense	20 000	
Employee wages	40 000	
Shop rental expenses	26 000	
debtors	50 000	
Bad debts	2 000	
Cash balance	60 000	
Bank overdraft		20 000
10% bank loan		60 000
Bank loan interest	6 000	
Bank over draft interest	2 000	
capital		20 000
	564 000	564 000

Note: all purchased stocks have been sold.

Required;

- (1) Prepare the profit or loss statement for the year ended 2018.12.31.
- (2) Prepare the statement of financial position as at 2018.12.31.