



EASTERN UNIVERSITY, SRI LANKA
FACULTY OF COMMERCE AND MANAGEMENT
FINAL YEAR SECOND SEMESTER EXAMINATION IN BACHELOR OF BUSINESS
ADMINISTRATION / BACHELOR OF BUSINESS ADMINISTRATION (SPECIALIZATION
IN HUMAN RESOURCE MANAGEMENT/ MARKETING MANAGEMENT) 2009 / 2010
(AUGUST 2011)

(PROPER)

MGT 403 COMPUTER BASED ACCOUNTING FOR MANAGEMENT

Time 3:00 Hours

Answer All Questions in Part I using Microsoft Office Excel 2007

Answer All Questions in Part II using QuickBooks - Accountant Edition 2004 / 2011

Part I

1. Rich is a sole trader, supplying building materials to local builders. He prepares his financial statements each year for ending 31 July. At 31 July 2011, his trail balance was as follows:

Details	Debit (Rs.)	Credit (Rs.)
Capital		605,926
Purchase and Sales	424,500	925,000
Returns	2,300	1,700
Discounts	1,500	2,500
Inventory of building materials	98,200	
Packing materials purchased	12,900	
Distribution Cost	17,000	
Rent	18,000	
Telephone	8,500	
Wages	71,200	
Provision for bad debts at 1 August 2010		1,000
Sundry expenses	3,100	
Delivery vehicle cost	1,125,000	
Delivery vehicle Acc. Depreciation at 1 August 2010		455,824
Equipment cost	50,000	
Equipment Acc. Depreciation at 1 August 2010		18,000
Receivables and payables	95,000	70,000
Bank current account	112,400	
Bank charges	2,000	
Stationery	13,500	
Inventory of stationery at 1 August 2010	1,650	
Accrued stationery at 1 August 2010		800
Cash in hand	24,000	
	2,080,750	2,080,750

Additional information

- a. Closing inventory
 Building materials 75,300
 Packing materials 5,800

- b. At the end of 31st July 2011, there was an inventory of stationery on hand Rs.1400 and an outstanding invoice for Rs.700.
- c. Depreciation is to be provided as follows:
- Reducing balance method for delivery vehicles. Its estimated salvage value is Rs.200,000 and estimated useful life is 10 years. It was bought on 1st August 2007.
 - 10 percent on cost for equipment.
- d. Receivables have been analyzed as follows:

	Rs.
Current month	60,000
30 to 60 days	20,000
60 to 90 days	12,000
Over 90 days	3,000

Provision for bad debts to be made for receivables as follows:

30 to 60 days	1%
60 to 90 days	2.5%
Over 90 days	5% (after writing off Rs.600)

Required

Create a model to extract the Income Statement for the year ended 31 July 2011 and Statement of Financial Position as at 31 July 2011 (Use the maximum formulas (lookup, etc.) and proper financial statement structures).

(25 Marks)

2. A company is reviewing its stock policy, and has the following alternatives available for the evaluation of stock number 7654:
- i. Purchase stock twice monthly, 100 units
 - ii. Purchase monthly, 200 units
 - iii. Purchase every three months, 600 units
 - iv. Purchase six monthly, 1200 units
 - v. Purchase annually, 2400 units

It is ascertained that the purchase price per unit is Rs.80 for deliveries up to 500 units. A 5% discount is offered by the supplier on the whole order where deliveries are 501 up to 1000, and 10% reduction on the total order for deliveries in excess of 1000.

Each purchase order incurs administration costs of Rs.500

Storage, interest on capital and other costs are Rs.25 per unit of average stock quantity held.

You are required to advise management on the optimum order size.

(7 Marks)

3. AB Ltd is considering investing in a new manufacturing plant which will be used to make bathroom fittings to be sold to "do-it-yourself" retailers.

Planning permission has already been sought and won from the local authority. This process has already cost Rs.400,000. The financial effects of the new investment are set out below.

Year	0	1	2	3	4
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Investment:					
Machinery	(800)				
Land	(1500)				
Buildings	(2000)				
Sales		2400	2800	2600	2550
Material		300	350	420	460
Labour		250	330	360	420
Overheads		400	450	480	500
Interest		500	500	500	500
Depreciation		450	450	450	450
Profit pre tax		500	720	390	220
Tax at 35%		175	252	137	77
Profit post tax		325	468	253	143

The following information has not been reflected in the above calculations:

- Capital allowances are available on the machinery and buildings as follows – buildings 50% straight line allowance, no capital allowances are available in relation to land or machinery.
- Tax is payable one year after the company's year end.
- 40% of the overheads cost is an apportionment of the head office cost.
- Sales, labour and overheads are expected to inflate at 5% per annum.
- Materials are expected to inflate at 10% per annum.
- The company's nominal cost of capital is 12% per annum.
- At the end of four years the disposal value of the assets is expected to be Rs.2,850,000 made up as: land Rs.2,000,000; buildings Rs.800,000; machinery Rs.50,000 (capital gains on land are tax-free).
- Working capital requirements are believed to be negligible.
- The investment is expected to occur at the start of an accounting year.

Required

Calculate the NPV for the new investment and recommend whether AB Ltd should go ahead with the new investment.

(18 Marks)

4. You have planned to borrow Rs.300,000 on 2 years educational loan with an annual interest rate of 12%. Assuming end of month payments, determine the monthly payment, interest payment, and amount paid toward principle in first month.

(5 Marks)

5. Consider the following cash flows.

Date	Cash Flows
11/20/2008	(1,800,000)
1/11/2009	480,000
4/7/2010	530,000
7/15/2011	554,000
11/19/2012	1,065,000

If the interest is 14%, what is the NPV of these cash flows?

(5 Marks)

(Total 60 Marks)

Part II

6. Enter the following transactions in QuickBooks Premier - Accountant Edition 2004 / 2011.

Shop Name : Enter your index number.
Start Date : 01/01/2011

Trail Balance as at 01/01/2011

Account	Debit	Credit
Premises	937,500	
Furniture	262,500	
Equipment	180,000	
Debtors control a/c	112,875	
Cash in hand	191,250	
Sampath bank	675,000	
Stocks	281,250	
Long term loan Peoples Bank 12%		1,031,250
Creditors control a/c		437,859
VAT output A/c 12%		228,750
VAT input A/c 12%	82,500	
Rent Payable		281,250
Electricity payable		66,000
Ordinary Share Capitals		562,500
Retain Profit / Loss A/c		115,266
	2,722,875	2,722,875

Additional information

i. Creditors balance

Invoice No.	Details of creditors	RS.
101	Raja (10% Discount within 15 days, Max due 30 days)	202,500
102	Rani (5% Discount within 20 days, Max due 45 days)	235,359
Total		437,859

ii. Debtors balance

Invoice No.	Details of debtors	Rs.
201	Alex (10% Discount within 15 days, Max due 30 days)	60,300
202	Amala (5% Discount within 20 days, Max due 45 days)	52,575
Total		112,875

iii. Stocks Items

Items No.	Item name	Purchasing price	Selling price	Reorder qty	Opening qty	Total value
110	Product A	150	170	400	841	126,150
120	Product B	97.50	105	600	1000	97,500
130	Product C	48	55	500	1200	57,600
Total						281,250

iv. Following items were purchased in credit on the following dates (VAT 12%).

Invoice No.	Date	Creditors	Item name	Qty	Price
103	07-01-11	Rani	Product A	100	150
104	11-01-11	Ramesh	Product B	180	95

Creditor or Suppliers

Ramesh

Ramani

Discount Term

10% discount, 14 days, 30 days

5% discount, 20 days, 45 days

v. Check Purchase through Commercial Bank (VAT 12%)

Invoice No.	Date	Suppliers	Item Name	Qty	Price
B121	03-01-11	Raja	Product C	50	48
B122	13-01-11	Ramani	Product B	60	97

vi. Credit Sales (12% VAT)

Date	Bill no.	Debtors	Item name	Qty	Price
04-01-11	205	Amala	Product A	150	170
08-01-11	206	Athes	Product B	125	105

Debtors or Customers

Athes

Abi

Discount Terms

10% Discount, 14 Days, 30 Days

5% Discount, 20 Days, 45 Days

vii. Cash Sales (12% VAT)

Date	Bill No.	Customers	Item name	Qty
02-01-11	S211	Athes	Product A	70
10-01-11	S212	Abi	Product B	80
22-01-11	S213	Alex	Product C	50

viii. Check Sales and it was Deposited to Sampath Bank (12% VAT)

Date	Bill No.	Customers	Item name	Qty
04-01-11	CS301	Amala	Product A	60
09-01-11	CS302	Athes	Product B	40

ix. Check payments for credit purchase were made on the following dates through Commercial bank

Date	Bill No.	Creditor name	Rs.	Discount
02-01-11	SR801	Raja	150,000	-
20-01-11	SR802	Ramesh	17100	5%

x. Check receipts for Credit Sales were received on the following dates and it was deposited to Sampath Bank

Date	Bill No.	Creditor name	Rs.	Discount
12-01-11	CR 601	Alex	60,300	15%
14-01-11	CR 602	Amala	52,575	-

xi. Settle the following accruals for the last year by Sampath bank

Payment date	Check No.	Accrual account	Rs.
06-01-11	45679	Rent Payable	281,250
21-01-11	45680	Electricity payable	66,000

xii. Pay the General expenses by Cash

Payment date	Accrual account	Rs.
22-01-11	Telephone	4,000
23-01-11	Stationary	2,000
29-01-11	Traveling	5,600
30-01-11	Salary	28,000

(35 Marks)

07. Based on the Question 6, you are required to export following reports to Excel from QuickBooks.

- Profit and Loss A/C
- Balance Sheet
- Vendor Balance Summary
- Customer Balance Summary
- Inventory Valuation Summary

(5 Marks)

(Total 40 Marks)