

EASTERN UNIVERSITY SRI LANKA

FACULTY OF SCIENCE

SECOND YEAR FIRST SEMESTER EXAMINATION IN SCIENCE-2014/2015

(December 2017) (PROPER/REPEAT)

OC 204 FINANCIAL ACCOUNTING - I

Answer all questions

Non programmable Calculator permitted

Time: 02 Hours

01. Mr. Piyadasa is a sole trader who runs a business in his home town. For the month of July 2017, he made the following business transactions with the opening balance of Rs.75,000 in cash account, Rs.155,000 in bank account, Rs.70,000 in stocks trade, Rs.25,000 in Debtors account, Rs.125,000 in Furniture and Equipment account, Rs.100,000 in Bank Loan, Rs.50,000 in Creditors account and Rs.300,000 in capital account.

- July 1 Put an additional capital of Rs.70,000 by cash to the business
- 3 Purchased furniture and equipment for Rs.50,000 by cash
- 5 Purchased goods for trading for Rs.60,000 by cash
- 7 Paid carriage inwards Rs.15,000 by cheque
- 11 Sold goods for Rs.60,000 cash
- 14 Purchased goods for trading for Rs.45,000 by cheque
- 15 Paid Rs.5,000 Bank Loan interest by direct debit in the bank account
- 16 Sold goods for Rs.40,000 cash
- 17 Paid delivery charge Rs.15,000 by cheque
- 20 Paid salaries Rs.25,000 to salesmen by cash
- 23 Paid rent Rs.20,000 by cheque
- 26 Sold goods for Rs.35,000 which was directly deposited into bank
- 27 Received Rs.18,000 from a debtor who directly paid into bank account
- 28 Paid Rs.22,000 to creditors by cheque
- 30 Obtained additional bank loan of Rs.50,000 directly credited to the bank account
- 31 Drawn Rs.25,000 from the bank for personal use and Bank Charges Rs.6,000 debited in the bank account

Required :

- 1. Record the above transactions in the Cash book with Cash and Bank Column
- 2. Post them into Ledger Accounts
- 3. Extract the Trial Balance as at 31st July 2017

(30 Marks)

02. The trial balance extracted from the books of sole trader, Mr. Bandara, as at 31.12.2016 are as follows:

Items	Debit (Rs.)	Credit (Rs.)
Stock as at 01.01.2016	140,000	
Purchases / Sales	950,000	1600,000
Purchase Return / Sales Return	50,000	40,000
Carriage inwards	20,000	
Rent & Rates	22,000	
Rent & Rates payable as at 01.01.2016		5,500
Electricity	24,800	
Electricity payable as at 01.01.2016		4,500
Stationery	20,700	
Office salary	24,000	
Sales man's salary	54,000	
Vehicle Insurance	28,000	
Sales Commission	24,000	
Advertisement paid	49,000	
Bad debt	5,000	
Discount allowed / Discount received	10,000	8,000
Investment income received up to 30.06.2016		2,500
Carriage outwards	28,000	
Provision for doubtful debts as at 01.01.2016		4,000
Interest on bank loan paid up to 30.06.2016	7,500	
Non-Current Assets		
Land & Building	400,000	
Furniture & Fittings	100,000	
Motor vehicles	300,000	
Equipment	80,000	
Provision for Depreciation as at 01.01.2016		
Land & Building		40,000
Furniture & Fittings		20,000
Motor vehicles		100,000
Equipment		15,000
10% Investment.	50,000	
Debtors /Creditors	64,000	60,500
Cash & Bank	31,000	
Capital		530,000
Drawing	48,000	
15% Bank loan		100,000
	2530,000	2530,000

Additional Information:

1. Stock as at 31.12.2016: Rs.160,000
2. Expenses payable as at 31.12.2016: Electricity Rs.4500; Rent and Rates Rs.6,000.
3. Advertisement expenses for the year is Rs.40,000.
4. Investment income receivable up to 31.12.2016.
5. Interest on bank loan is payable up to 31.12.2016.
6. The bad debt of Rs.4,000 is to be written off from the debtors balance and a provision for doubtful debt is to be made at 8% on the remaining debtor's balance.
7. The provisions for depreciation for the non-current assets are to be made as follows:
 - Land & Building 5% p.a on straight line
 - Furniture 20% p.a at cost
 - Motor vehicle 15% p.a at reducing balance
 - Equipment 12% p.a at reducing balance

Required:

Prepare the Trading and Profit & Loss account and the Balance Sheet for the year ended 31.12.2016.

(50 Marks)

03. The cash book of a trader showed an overdraft balance of Rs.18,670 as at 31.10.2017 on his No.1 Current Account in a bank. But his bank statement for the month showed a different balance as at that date. On scrutiny he found the following discrepancies:

- (a) Cheques drawn for payment to creditors; Ravi Rs.22,000, Sri Rs.18,000, Sunil Rs.12,500 ; had not been presented in the bank for payment until 31.10.2017.
- (b) Cheques received from debtors; David Rs.16,200, Rizvi Rs.7,250, Nalin Rs.25,400; entered in the cash book as paid into bank had not been credited by the bank.
- (c) The receipts side of the cash book had been under cast by Rs.10,000
- (d) Bank chargers of Rs.5,000 entered on the bank statement had not been entered in the cash book
- (e) A cheque for Rs.5,200 drawn on the No.1 Account had been charged by the bank in error to the NO.2 Account
- (f) A dividend of Rs.3,000 paid direct to the bank had not been entered in the cash book
- (g) A cheque for Rs.7,000 received from a debtor paid into the bank had been dishonoured and shown as such by the bank but no entry of dishonour had been made in the cash book
- (h) A cheque for Rs.4,200, drawn by bank's another customer of the same name, had been charged to the trader's bank account in error

Required:

- (i) Show the necessary adjustments to be made in the cash book.
- (ii) Prepare the Bank Reconciliation Statement for the No.1 Account as at 31.10.2017, starting with the bank balance as per the adjusted cash book.

(20 Marks)