

**EASTERN UNIVERSITY, SRI LANKA**  
**FACULTY OF COMMERCE AND MANAGEMENT**

**First Year First Semester Examination in Business Administration / Commerce**  
**2017/2018 (July 2019) (Proper/Repeat)**

**DAF 1012 Financial Accounting**

**Answer All Questions.**

**Write all amounts in full figures.**

**Show all the workings in the answer script itself.**

**Calculator Permitted.**

**Time: Two (02) hours.**

Following is the Trial Balance extracted from the books of Robinson, a sole trader, as at 31<sup>st</sup> of December 2018.

Items	Rs	Rs
Cash in hand	240,000	
Capital		2000,000
10% Loan from Bank		200,000
Sales		1300,000
Purchases	950,000	
Carriage inwards	10,000	
Carriage outwards	5,000	
Debtors	300,000	
Creditors		350,000
Provision for doubtful debt as @ 01.01.2018	25,000	
Salaries	100,000	
Land and Building	1000,000	
Furniture and Fittings	500,000	
Equipment	250,000	
Stocks as @ 01.01.2018	300,000	
20% investments	400,000	
Provision for Non-Current assets as @ 01.01.2018:		
Land and Building		200,000
Furniture and Fittings		100,000
Equipment		60,000
Advertisement	21,000	
Telephone charges	24,000	
Interest on Bank loan	10,000	
Insurance	7,000	
Electricity	15,000	
Discount Allowed	13,000	
Discount Received		20,000

VAT	100,000	
Investment income		40
	<b>4,270,000</b>	<b>4270</b>

**Additional information:**

1. Stocks as at 31.12.2018 is Rs.350,000.

2. Outstanding Expenses as at 31.12.2018:

Salary Rs.6,400

Electricity Rs.3,700

Telephone Rs.2,500

3. Pre-paid Expenses as at 31.12.2018:

Advertisement Rs.4,500

Insurance Rs.2,300

4. A bad debt of Rs.10,000 is to be written off from debtors balance and provision for doubtful debt is to be made at 10% on the balance thereafter.

5. Furniture purchased on 30.06.2018 for Rs.100,000 has been wrongly included in Purchase account.

6. The provision for depreciation on noncurrent assets is to be made as below:

Land and Building - 5% p.a on straight line basis

Furniture and Fittings - 15% p.a on straight line basis

Equipment - 10% p.a on reducing balance.

**Required:**

Prepare the followings in Horizontal format:

(a) The Income Statement (Trading and Profit and Loss Account) for the year ended 31.12.2018 and;

(b) The Statement of Financial Position as at 31.12.2018.

Suranga, a Sole Trader, did not keep her books of accounts properly. However, is able to give the following financial information for her financial year ended 30.06.2019.

Summary of his cash transaction during the year:

	Rs.		Rs.
Cash Purchase	250,000	Paid Rent	40,000
Cash sales	450,000	Paid electricity	35,000
Paid to creditors	500,000	Purchased Equipment	80,000
Received from Debtors	840,000	Purchased Furniture	60,000
Paid salaries	75,000	Purchased Delivery vehicle	150,000
Paid delivery expenses	30,000	Drawings	50,000

Other balances:

	01.07.2018	30.06.2019		01.07.2018	30.06.2019
	(Rs.)	(Rs.)		(Rs.)	(Rs.)
Land & Buildings	400,000	380,000	Debtors	60,000	80,000
Furniture	120,000	160,000	Creditors	50,000	60,000
Equipment	50,000	120,000	Electricity payable	9,000	12,000
Motor Vehicles	125,000	260,000	Cash in hand	10,000	?
Stock	60,000	50,000			

Required:

Prepare the followings in horizontal format:

- Cash Account
- The Income Statement for the year ended 30.06.2019
- The Statement of Financial Position as at 30.06.2019.

(35 Marks)



03. On 30<sup>th</sup> June 2019, the Bank column of Cash book of Trader, Mr.Ramesh, shows a debit balance of Rs.9,200. On examination of his cash book and the bank statement the following items were noted.

- i. Cheques issued for payments of Rs.7,500, and Rs.5,100 were not presented for payment up to 30<sup>th</sup> June 2019.
- ii. A cheque from a debtor for Rs.1,400 had been dishonoured prior to 30<sup>th</sup> June, but no record appeared in the cash book.
- iii. Cheques of Rs.3,500, and Rs.1,500 were deposited into bank, but not credited up to 30<sup>th</sup> June 2019 .
- iv. Rent of Rs.1,500 was directly paid by the Bank.
- v. A dividend Rs.2,750 was directly credited in the bank.
- vi. A cheque of Rs.3,000 was deposited directly in the bank by the customer.
- vii. Bank Charges of Rs.2,500 were not recorded in the cash book.

**Required:**

- (a) Show the necessary adjustments to be made in the cash book.
- (b) Prepare a Bank Reconciliation Statement as at 30<sup>th</sup> June 2019 starting with the bank balance as per the updated cash book.

(20 M)