

EASTERN UNIVERSITY, SRI LANKA
FACULTY OF COMMERCE AND MANAGEMENT

First Year First Semester Examination in Business Administration / Commerce

2016/2017 (August 2018) (Proper)

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.

01. Mr. Surendra is a sole trader who runs a business in his home town. For the month of July 2018, he made the following business transactions with the opening balance of Rs.80,000 in cash account, Rs.150,000 in bank account.
- July 1 Put an additional capital of Rs.50,000 by cash to the business
 - 3 Purchased furniture and equipment for Rs.30,000 by cash
 - 5 Purchased goods for trading for Rs.40,000 by cash
 - 7 Paid carriage inwards Rs.18,000 by cheque
 - 11 Sold goods for Rs.65,000 cash
 - 14 Purchased goods for trading for Rs.48,000 by cheque
 - 15 Paid Rs.6,000 Bank Loan interest by direct debit in the bank account
 - 16 Sold goods for Rs.44,000 cash
 - 17 Paid delivery charge Rs.16,000 by cheque
 - 20 Paid salaries Rs.24,000 to salesmen by cash
 - 23 Paid rent Rs.27,000 by cheque
 - 26 Sold goods for Rs.32,000 which was directly deposited into bank
 - 27 Received Rs.18,500 from a debtor who directly paid into bank account
 - 28 Paid Rs.28,500 to creditors by cheque receiving a cash discount of 5% on dues.
 - 29 Received by cash Rs.37,200 from a debtor allowing him a cash discount of 7% on dues.
 - 30 Obtained additional bank loan of Rs.60,000 directly credited to the bank account
 - 31 Drawn Rs.15,000 from the bank for personal use and Bank Charges Rs.5,500 debited in the bank account

Required: Record the above transactions in the Three Column Cash Book.

(20 Marks)

02. The trial balance extracted from the books of sole trader, Mr. Balendra, as at 30.06.2018 are as follows:

| Items | Debit (Rs.) | Credit (Rs.) |
|--|------------------|------------------|
| Purchases / Sales | 950,000 | 1670,000 |
| Office salary | 24,000 | |
| Sales Commission | 24,000 | |
| Purchase Return / Sales Return | 50,000 | 40,000 |
| Carriage inwards | 20,000 | |
| Rent & Rates | 22,000 | |
| Stock as at 01.07.2017 | 190,000 | |
| Rent & Rates payable as at 01.07.2017 | | 5,500 |
| Electricity | 24,800 | |
| Sales man's salary | 54,000 | |
| Electricity payable as at 01.07.2017 | | 4,500 |
| Stationery | 20,700 | |
| Carriage outwards | 28,000 | |
| Vehicle Insurance | 28,000 | |
| 10% Investment | 50,000 | |
| Advertisement paid | 49,000 | |
| Bad debt | 5,000 | |
| Discount allowed / Discount received | 10,000 | 8,000 |
| Investment income received up to 31.12.2017 | | 2,500 |
| 15% Bank loan | | 100,000 |
| Provision for doubtful debts as at 01.07.2017 | | 4,000 |
| Interest on bank loan paid up to 31.12.2017 | 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 01.07.2017 | | |
| Land & Building | | 40,000 |
| Furniture & Fittings | | 20,000 |
| Motor vehicles | | 100,000 |
| Equipment | | 15,000 |
| Cash & Bank | 31,000 | |
| Debtors / Creditors | 64,000 | 57,500 |
| Drawing | 68,000 | |
| Disposal of Motor Vehicle | | 33,000 |
| Capital | | 500,000 |
| | 2,600,000 | 2,600,000 |

Additional Information:

1. Stock as at 30.06.2018: Rs.145,000
2. Expenses payable as at 30-06.2018: Electricity Rs.6500; Rent and Rates Rs.7,500.
3. Advertisement expenses for the year is Rs.45,000.
4. Investment income receivable up to the end of current financial year.
5. Interest on bank loan is payable up the end of current financial year.
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 10% on the remaining debtor's balance.
7. One of the motor vehicles purchased on 31st of December 2015 at a cost of Rs.40,000 was disposed on 1st of January 2018 at Rs.33,000. The proceeds from the disposal was debited to cash account and credited to motor vehicle disposal account. No other entries were made in the books of accounts in this regard.
8. 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 book value
 - Motor vehicles 15% p.a at cost
 - Equipment 12% p.a at reducing balance

Required:

Prepare the followings in Horizontal format:

- (a) The Income Statement for the year ended 30.06.2018 and;
- (b) The Statement of Financial Position as at 30.06.2018.

(45 Marks)

03. Ms Kumudhu, a Sole Trader, did not keep her books of accounts properly. However, she is able to give the following financial information for her financial year ended 30.06.2018.

The summary of her cash transactions during the year.

| | Rs. |
|-----------------------|---------|
| Cash sales | 175,000 |
| Paid to creditors | 125,500 |
| Paid salaries | 22,500 |
| Purchased furniture | 25,000 |
| Paid selling expenses | 12,800 |

| | Rs. |
|-----------------------|---------|
| Paid electricity | 8,500 |
| Cash Purchase | 75,600 |
| Received from Debtors | 205,400 |
| Paid rent & rates | 3,500 |

Other balances:

| | 01.07.2017 Rs. | 30.06.2018 Rs. |
|---------------------|-------------------|-------------------|
| Land & Buildings | 200,000 | 185,000 |
| Furniture | 60,000 | 75,000 |
| Stock | 30,700 | 25,200 |
| Debtors | 21,600 | 32,900 |
| Creditors | 15,800 | 10,700 |
| Electricity payable | 3,500 | 2,100 |
| Cash in hand | 5,500 | 6,200 |

Other information:

- I. Ms. Kumudhu said she has drawn some cash from the business for her personal use during the year.
- II. Depreciation on all non-current assets is to be provided for the current year.

Required: Prepare the followings in horizontal format:

- (a) Cash Account;
- (b) The Income Statement for the year ended 30.06.2018; and
- (c) The Statement of Financial Position as at 30.06.2018.

(20 Marks)

04. The cash book of a trader showed an overdraft balance of Rs.19,520 as at 31.07.2018 on his Current Account-A 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) A cheque for Rs.3,300, drawn by bank's another customer of the same name, had been charged to the trader's bank account in error.
- (b) Bank chargers of Rs.4,800 entered on the bank statement had not been entered in the cash book.
- (c) Cheques received from debtors; Devi Rs.16,250, Nizar Rs.6,750, Naren Rs.23,450; entered in the cash book as paid into bank had not been credited by the bank.
- (d) The receipts side of the cash book had been over cast by Rs.12,000.
- (e) A cheque for Rs.7,250 drawn on the Current Account-A had been charged by the bank in error to the Current Account-B.
- (f) A dividend of Rs.3,600 paid direct to the bank had been entered in the bank statement only.
- (g) A cheque for Rs.7,200 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) Cheques drawn for payment to creditors; Ranil Rs.22,400, Sasi Rs.18,250, Subir Rs.11,400 had not been presented in the bank for payment until 31.07.2018.
- (i) An amount Rs.12,000 had been transferred to the Current Account-A from the Current Account-B of the trader by the bank itself.

Required:

- (a) Show the necessary adjustments to be made in the cash book.
- (b) Prepare the Bank Reconciliation Statement for the Current Account-A as at 31.07.2018, starting with the bank balance as per the adjusted cash book.

(15 Marks)