

Eastern University, Sri Lanka

Faculty of Commerce and Management

First year Second Semester Examination in Business Administration /

Commerce 2017/2018 (January 2020) (Repeat)

DAF 1014 Financial Accounting

Answer **All** Questions.

Calculators Permitted.

Time Allowed: **Three** Hours

1. Mr.Susil is a sole trader who runs a business in his home town. For the month of January 2019 he made the following business transactions in cash with the opening balance in cash account Rs.50,000:

January 1 Put an additional capital of Rs.100,000 to the business

3 Purchased furniture and equipment for Rs.40,000

5 Purchased goods for trading for Rs.50,000

8 Paid carriage inwards Rs.10,000

10 Sold goods for Rs.30,000

13 Purchased goods for trading for Rs.40,000

15 Sold goods for Rs.24,000

17 Paid delivery charge Rs.4,000

20 Paid salaries Rs.10,000 to salesmen

23 Paid rent Rs.10,000

25 Sold goods for Rs.30,000

30 Received investment income Rs.1,000.

31 Drawn Rs.20,000 form the business for personal use

Required : Record the above transactions in the Cash book

(15 marks)

2. The trial balance extracted from the books of a sole trader, Mr. Johnson, as at 31.12.2019 is as follows

Items	Debit Rs.	Credit Rs.
Non-Current Assets: Land & Building	400,000	
Furniture & Fittings	100,000	
Motor vehicles	300,000	
Equipment	80,000	
Provision for depreciation as at 1.1.2019:		
Land & Building		40,000
Furniture & Fittings		20,000
Motor vehicles		100,000
Equipment		15,000
8% investment	50,000	
Stocks as at 1.1.2019	130,000	
Debtors / Creditors	60,000	55,000
Provision for doubtful debt as at 1.1.2019		4,000
Cash and bank	44,500	
Purchases / Sales	850,000	1,500,000
Sales return / Purchase return	40,000	30,000
Carriage inwards	20,000	
Carriage outwards	30,000	
Discount allowed / Discount received	9,000	4,000
Investment income received		2,000
Bad debt	4,000	
Advertisement	50,000	
Packaging expenses	24,000	
Motor vehicle maintenance	28,000	
Office salaries	24,000	
Salesman salaries	44,000	
Stationery	3,000	
Electricity	24,000	
Insurance, rent & rates	20,000	

Interest on bank loan	7,500	
15% Bank loan		100,000
Drawings	48,000	
Capital		520,000
	2,390,000	2,390,000

Additional information:

- (i) Stocks as at 31.12.2019 are Rs.120,000
- (ii) Expenses payable as at 31.12.2019 are
- | | |
|-----------------------|----------|
| Electricity | Rs.2,000 |
| Rent & rates | Rs.5,000 |
| Interest on Bank loan | Rs.7,500 |
- (iii) Advertisement prepaid Rs.10,000
Investment income receivable Rs.2,000
- (iv) A bad debt of Rs.10,000 is to be written off from the debtors' balance and a provision for doubtful debt is to be made at 10% on the balance thereafter.
- (v) The provisions for depreciation on non-current assets are to be made as follows
- | | |
|------------------------|------------------------------------|
| Land and buildings | 5% per annum at cost |
| Furniture and fittings | 10% per annum at cost |
| Motor vehicle | 20 % per annum at reducing balance |
| Equipment | 10 % per annum at reducing balance |

Required:

Prepare the Income Statement for the year ended 31.12.2019, and the Statement of Financial Position as at that date.

(40 Marks)

3. Mr. Karthik, a Sole Trader, did not keep her books of accounts properly. However, he is able to give the following financial information for her financial year ended 31.12.2019.

The summary of her cash transaction during the year.

	Rs.
Cash Purchase	75,000
Paid to creditors	150,000
Paid salaries	20,000
Paid selling expenses	12,000
Paid rent & rates	3,500
Paid electricity	8,500
Cash sales	120,000
Received from Debtors	200,000
Purchased furniture	25,000

Other balances:

	01.01.2019 Rs.	31.12.2019 Rs.
Land & Buildings	200,000	190,000
Furniture	60,000	80,000
Stock	30,000	25,000
Debtors	20,000	30,000
Creditors	15,000	10,000
Electricity payable	2,500	2,000
Cash in hand	5,000	6,000

Other information:

- I. Mr. Karthik said he has drawn some cash from the business for her personal use during the year.
- II. No non-current assets were disposed during the year

Required:

Prepare the following for Mr. Karthik.

- a) Cash account.
- b) The Income Statement for the year ended 31.12.2019.
- c) The Statement of Financial Position as at 31.12.2019. (Show your working clearly)

4. The bank balance as per the cash book of a trader as at 31.12.2019 was Rs.5,500. But his bank statement for the month showed a different balance as at that date. On scrutiny he found the following discrepancies.

- a) The cheques issued to the following creditors were not presented by them in the bank for payment: Diana Rs.7,500 ; Jeja Rs. 3,500; Nalini Rs.4,000
- b) The cheques received from the following debtors and deposited in the Bank, but it has yet not realized them: Sithra Rs.6,300; Rajee Rs.9,500; Nisha Rs.1,800.
- c) Bank paid a standing order of Rs.2,000 for insurance.
- d) Investment income of Rs.1,500 was realized by the bank directly.
- e) A cheque of Rs.3,000 was deposited directly in the bank by a customer.
- f) Bank chargers of Rs.1,200 were not recorded in the cash book.

Required:

Prepare the Bank Reconciliation Statement as at 31st December 2019 starting bank balance as cash book

(15 marks)