

EASTERN UNIVERSITY, SRI LANKA
FACULTY OF COMMERCE AND MANAGEMENT

**First Year Second Semester Examination in Business Administration /
Commerce 2011/2012 (August 2014) (Proper / Repeat / Re-Repeat)**

DAF 1014 Financial Accounting

Answer All Questions

Calculator Permitted

Time: Three (03) hours

11. The Trial Balance extracted from the books of GNP plc as on 31st of December 2013 is as follows:

Items	Debit	Credit
	Rs.	Rs.
50,000 Ordinary shares		750,000
20,000 12% Preference shares		400,000
Land Property (at cost)	1500,000	
Selling and Distribution expenses	550,000	
Cost of Sales / Sales	3500,000	5200,000
Accumulated profit as at 01.01.2013		300,000
12% Debentures		500,000
Motor vehicles (at cost)	500,000	
General Reserve		150,000
Value Added Tax	50,000	
Debtors / Creditors	250,000	210,000
Equipment (at cost)	270,000	
Income tax paid / Provision for the last quarter of year 2012	200,000	50,000
Cash and Bank	125,000	
Other operating income		115,000
Trade Investments	400,000	
Administrative expenses	270,000	
Provision for Depreciation on Motor Vehicle as at 01.01.2013		140,000
Return inwards	50,000	
Bad debts / Provision for doubtful debt as at 01.01.2013	20,000	15,000
Stocks as at 31.12.2013	215,000	
Debenture interest paid	30,000	
Motor vehicle disposed		75,000
Investment income received		25,000
Provision for Depreciation on Equipment as at 01.01.2013		70,000
Preliminary Expenses	70,000	
	8000,000	8000,000

Additional Information:

- i. The net realizable value of stocks as at 31.12.2013 was Rs.200,000.
- ii. Administrative expenses include a fire loss of Rs.26,000 during the year.
- iii. The fair value of trade investments fallen to Rs.375,000.
- iv. A bad debt of Rs.10000 is to be written off from the debtor, and a provision for doubtful debt is to be made at 8% on remaining debtors.
- v. Motor vehicles account includes a motor vehicle purchased on 1st of July 2013 at a cost of Rs.100,000.
- vi. A motor vehicle which was purchased at a cost of Rs.90,000 and provided depreciation of Rs.18,000 were disposed for Rs.75,000 in January 2013. The proceeds from the disposal was debited to cash account and credited to motor vehicle disposed account. No other entries were made in this regard.
- vii. Land Property was revalued at Rs.1600,000 as at 31.12.2013.
- viii. The provisions for depreciation on Non current assets are to be made as follow:

Motor Vehicles	-	20% on straight line basis
Equipment	-	10% p.a on reducing balance
- ix. The income tax paid includes the amount of Rs.40,000 paid for the last quarter of 2012. The income tax payable for the last quarter of current year (2013) has been estimated at Rs.60,000.
- x. 12% debentures were issued on 1st of April 2013.
- xi. The directors of the company have decided the following:
 - a. To transfer Rs.100,000 to General reserve
 - b. To write off 50% of Preliminary Expenses
 - c. To provide 6% dividend to ordinary shareholders and the dividend to Preference shareholders.

Required:

Prepare the following for GNP Plc in the format that can be published for shareholders. (Show the notes and workings clearly).

- i. The Statement of Comprehensive Income for the year ended 31.12.2013
- ii. The Statement of Changes in Equity for the year ended 31.12.2013
- iii. The Statement of Financial Position as at 31.12.2013

(30 Marks)

02. The following information is supplied by a trader , Mr.Jameel, for the year ended 31.12.2013:

Balances as at	01.01.2013	31.12.2013
	Rs.	Rs.
Sundry Assets	180,000	200,000
Stock	140,000	190,000
Debtors	?	260,000
Bank	22,000	8,000
Cash	82,000	48,000
Creditors	120,000	98,000
Sundry expenses outstanding	10,000	6,000

The summary of transactions for the year is:

Transactions	Rs.
Cash and discounts credited to debtors	2450,000
Returns inward	60,000
Bad debts	10,000
Cash and Credit Sales	3000,000
Returns to creditors	30,000
Payment to creditors by cheque	2362,000
Total receipts from debtors deposited into bank	2430,000
Cash purchases	100,000
Salaries and wages paid out of the bank	180,000
Sundry expenses paid by cash	50,000
Drawings by cash	94,000
Purchase of sundry assets by cheque	20,000
Cash withdrawn from bank	210,000
Cash sales deposited into bank	?
Discount allowed by creditors	40,000

Required:

Prepare the following:

- The Trading, and Profit and Loss Account for the year ended 31.12.2013
- The Balance Sheets as at 01.01.2013 and 31.12.2013
- Cash Book with cash and bank columns
(Show the workings clearly)

(20 Marks)

03. Following is the Income and Expenditure Account of the Battimen Club for the year ended 30.06.2014:

Expenditure	Rs.	Income	Rs.
Salaries	315,000	Subscriptions	900,000
Stationery	25,000	Donations	150,000
Postage	16,000	Profit on Sales of Furniture	20,000
Sundry expenses	94,000	Government Grants	80,000
Repairs and Maintenance	72,000	Interest on fixed deposit	16,000
Sports expenditure	36,000		
Swimming pool expenditure	40,000		
Affiliation fee	10,000		
Electricity	65,000		
Billiard Room Expenditure	25,000		
Periodicals	24,000		
Audit fees	5,000		
Depreciation on: Sports equipment	20,000		
Buildings	50,000		
Furniture	9,000		
Income over expenditure	360,000		
	1166,000		1166,000

The following additional information is provided to you:

Balances as at	01-07.2013	30.06.2014
Building (Book Value)	2000,000	1950,000
Sports Ground	2000,000	2000,000
Sports Equipment (Book Value)	120,000	180,000
Furniture	100,000	
Fixed Deposit in Bank	160,000	160,000
Bank Account (Savings Deposit)	-	500,000
Subscriptions Outstanding	100,000	40,000
Subscriptions received in advance	60,000	20,000
Stock of Stationery	5,000	10,000
Audit Fees Outstanding	4,000	5,000
Salaries Outstanding	10,000	20,000
Affiliation fee paid in advance	-	5,000
Cash in hand	25,000	?

New furniture, by disposing the old, for Rs.180,000 has been purchased on credit but not entered in books. Depreciation has been charged on this furniture at 5%.

Required:

Prepare the following:

- Receipts and Payment Account for the year ended on 30.06.2014.
- Balance sheets as at 01.07.2013 and 30.06.2014.

(Show the workings clearly)

(20 Marks)

04. Rani, Vani, and Devi are the partners in a firm sharing profits and losses in the ratio of 3:2:1.

Their Balance Sheet as on 31st December 2013 was as follows:

Liabilities	Rs.	Assets	Rs.
Capital Accounts: Rani	180,000	Land and Building	260,000
Vani	150,000	Investments	29,500
Devi	110,000	Stocks in trade	154,000
Current Accounts: Rani	7,800	Debtors	111,000
Devi	12,200	Bills Receivable	57,000
General Reserve	72,000	Current account: Vani	2,500
Creditors	88,000	Cash in hand	6,000
	620,000		620,000

From 1st of January 2014, a new partner, Jothy, was admitted into the partnership on the following conditions:

- Jothy should bring Rs.50,000 by cash as capital.
- Goodwill should be valued at Rs.150,000.
- No account for goodwill would be raised, but it should be adjusted through partners' current accounts
- Rani, Vani, Devi, and Jothy should share the profits and losses in the ratio of 4:3:2:1 respectively.
- The value of stocks in trade should be reduced by Rs.20,000 and a provision for doubtful debt should be made at 10% on debtors.
- Land and Building should be appreciated by 25%
- An amount of Rs.12,900 should be reduced from the creditors.
- The capital accounts of the partners should be re-adjusted on the basis of their profit sharing ratio through current account.

Required:

Prepare the followings:

- (I) Revaluation Account
- (II) Partners' Current Account
- (III) Partners' Capital Account
- (IV) Balance Sheet as at 01.01.2014

(20 Marks)

05. Maran, Saran, and Maravan entered into a joint venture agreeing to share profits as 6:3:1 respectively. They paid into a joint bank account their contribution amount as follows: Maran Rs.600,000, Saran Rs.400,000 and Maravan Rs.200,000. Purchases paid from joint bank account were Rs.1000,000. Most of the goods were sold for Rs.2500,000. Maravan took over damaged goods for Rs.15,000. Other expenses were as follows: Carriage paid by Maran Rs.52,000, Rent paid by Saran Rs.25,000, and Maravan paid for advertising Rs.20,000.

Required:

Prepare the followings:

- (I) Joint Venture Account
- (II) Co-Ventures Account
- (III) Joint Bank Account

(10 Marks)