

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

**First Year Second Semester Examination in Business Administration /  
Commerce 2012/2013 (July 2015) (Proper / Repeat / Re-Repeat)**

**DAF 1014 Financial Accounting**

**Answer All Questions**

**Calculator Permitted**

**Time: Three (03) hours**

01. The Trial Balance extracted from the books of JHL plc as on 31<sup>st</sup> of December 2014 is as follows:

Items	Debit	Credit
	Rs.	Rs.
Stocks as at 31.12.2014	215,000	
Cost of Sales / Sales	3500,000	5200,000
Value Added Tax	50,000	
Return inwards	50,000	
Other operating income		115,000
Investment income received		25,000
Administrative expenses	270,000	
Selling and Distribution expenses	560,000	
Debenture interest paid	40,000	
Income tax paid	200,000	
50,000 Ordinary shares		750,000
20,000 10% Preference shares		400,000
Accumulated profit as at 01.01.2014		300,000
General Reserve		650,000
16% Debentures		500,000
Creditors		210,000
Provision of Income Tax for the last quarter of year 2013		50,000
Land Property (at cost)	2000,000	
Motor vehicles / Provision for Depreciation as at 01.01.2014	500,000	140,000
Motor vehicle disposed		75,000
Plant and Equipment / Provision for Depreciation as at 01.01.2014	270,000	70,000
Trade Investments	400,000	
Debtors	250,000	
Provision for doubtful debt as at 01.01.2014		15,000
Preliminary Expenses	70,000	
Cash and Bank	125,000	
	<b>8500,000</b>	<b>8500,000</b>

**Additional Information:**

- i. The net realizable value of stocks as at 31.12.2014 was Rs.195,000.
- ii. Administrative expenses include a fire loss of Rs.20,000 during the year.
- iii. The fair value of trade investments was estimated at Rs.380,000.
- iv. A provision for doubtful debt is to be made at 10% on debtors.
- v. Plant and Equipment account includes an equipment purchased on 1<sup>st</sup> of July 2014 at a cost of Rs.100,000.
- vi. A motor vehicle which was purchased at a cost of Rs.100,000 and provided depreciation of Rs.40,000 were disposed with a profit of Rs.15,000 in January 2014. 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.2100,000 as at 31.12.2014.
- viii. The provisions for depreciation on Non current assets are to be made as follow:

Motor Vehicles	-	20% on straight line basis
Plant & Equipment	-	10% p.a on reducing balance
- ix. The income tax paid includes the amount of Rs.60,000 paid for the last quarter of 2013. The income tax payable for the last quarter of current year (2014) has been estimated at Rs.75,000.
- x. 15% debentures were issued on 1<sup>st</sup> of July 2014.
- 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 10% dividend to ordinary shareholders and the dividend to Preference shareholders.

**Required:**

Prepare the following for JHL 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 31.12.2014
- ii. The Statement of Changes in Equity for the year ended 31.12.2014
- iii. The Statement of Financial Position as at 31.12.2014

**(20 Marks)**



02. The following information is the balance sheet of a trader, Mr. Nelson as at 30.06.2014:

Liabilities	Rs.	Assets	Rs.
Capital Account	192,000	Land and Building	130,000
Bank Loan	60,000	Furniture	20,000
Trade Creditors	124,000	Motor Vehicle	36,000
		Stock in trade	80,000
		Trade Debtors	68,000
		Cash at Bank	34,000
		Cash in Hand	8,000
	<b>376,000</b>		<b>376,000</b>

A riot occurred on the night of 30<sup>th</sup> June 2015, in which all the books of accounts were lost. The cashier had absconded with the available cash. Mr. Nelson gives the following information only.

- (a) His sales for the year ended 30<sup>th</sup> June 2015 was 20% higher than the previous year's sales. He always sells his goods at cost plus 25%. 20% of the total sales for the year ended 30<sup>th</sup> June 2015 were for cash. There were no cash purchases.
- (b) On 1<sup>st</sup> July 2014 the stock level in trade was raised to Rs.120,000 and the stock was maintained at this new level throughout the whole year.
- (c) Collection from debtors amounted to Rs.560,000 of which Rs.140,000 was received in cash. Operating expenses amounted to Rs.80,000 of which Rs.20,000 was outstanding as on 30<sup>th</sup> June 2015, and Rs.24,000 was paid by cheque.
- (d) Analysis of the bank statement revealed the following:

Particulars	Rs.
Payment to creditors	550,000
Personal Drawings	30,000
Cash deposited into bank	286,000
Cash withdrawn from bank	48,000

- (e) Gross profit as per last year's audited accounts was Rs.120,000.

- (f) A provision for depreciation on building, furniture, and motor vehicle is to be made at 5%, 10%, and 20% on book values respectively.
- (g) The amount defalcated by the cashier may be treated as recoverable from him.

**Required:**

Prepare the following:

- (a) The Trading, and Profit and Loss Account for the year ended 30.06.2015
- (b) The Balance Sheets as at 30.06.2015
- (c) Cash Book with cash and bank columns  
(Show the workings clearly)

(20 Marks)

03. Following is the Receipts and Payment Account of Juniors Club for the year ended 31.12.2014:

Receipts	Rs.	Payments	Rs.
Opening balance 01.01.2014	42,000	Manager's salary	10,000
Entrance fee: for 2013	10,000	Printing and stationery	26,000
for 2014	100,000	Advertisement	18,000
Subscriptions: for 2013	6,000	Fire insurance	12,000
for 2014	150,000	Investment purchased	200,000
Interest received on investments	30,000	Closing balance 31.12.2014	76,000
Subscriptions for 2015	4,000		
	<b>342,000</b>		<b>342,000</b>

It was ascertained from enquiry that the following represented a fair picture of the Income and Expenditure of the club for the year 2014 for audit purpose:

Expenditure	Rs.	Income	Rs.
Manager's salary	15,000	Entrance Fee	105,000
Printing and Stationery 20,000		Subscriptions	156,000
Add: Accrued 4,000	24,000	Interest on investment receivable	40,000
Advertisement (accrued nil)	16,000		
Audit fees	5,000		
Fire insurance	10,000		
Depreciation	49,400		
Excess of Income Over Expenditure	181,600		
	<b>301,000</b>		<b>301,000</b>