

**EASTERN UNIVERSITY, SRI LANKA**  
**SECOND YEAR SECOND SEMESTER EXAMINATION IN SCIENCE-2004/2005**  
**(OCTOBER / NOVEMBER 2006)**  
**(PROPER / REPEAT)**  
**OC 204 - FINANCIAL ACCOUNTING I**

**Answer All Questions**

**Time: 02 Hours**

**Calculator Permitted**

1. You are given the following transactions of Mr. Gill, for the month of January, 2006.

2006 January

1<sup>st</sup> Balances:

Cash in Hand	Rs.25,000	Sundry Debtors: A – Rs.12,000
Stock	Rs.20,000	B – Rs.18,500
Cash at bank	Rs.50,000	Loan from Bank Rs.100,000
Furniture	Rs.100,000	Sundry creditors: X – Rs.2,700
Machinery	Rs.50,000	Y – Rs.3,100

2<sup>nd</sup> Goods of list price of Rs.100,000 sold for cash, at list price less 10% Trade Discount.

5<sup>th</sup> Sold goods to A for Rs.10,000 with 5% Trade Discount and Received a cheque of Rs.5,000 and allowed discount to him as Rs.1,000. On the same day cheque was deposited

6<sup>th</sup> Cash withdrawn from bank Rs.7,100 for office use and Rs.4,200 for private use.

8<sup>th</sup> Bought an Almirah from Shiva Furniture & Co. for Rs.10,000 on credit basis for office use.

9<sup>th</sup> Sold goods to B for Rs.22,000 at 2% Trade Discount.

Goods drawings Rs.1,500 for personal use.

11<sup>th</sup> Paid in to bank Rs.5,800.

Purchase goods from Y for Rs.31,000 with 5% Trade Discount.

15<sup>th</sup> Bought stationary for cash Rs.2,000.

Rs.15,000 cash received from B.

18<sup>th</sup> Rent paid by cheque Rs.1,200 & Goods sold for cash Rs.5,000.

19<sup>th</sup> Goods worth Rs.2,000 returned from A.

21<sup>st</sup> Goods purchased on credit basis from X – Rs.16,500 and from Z – Rs.15,000 at 10% Trade Discount.

22<sup>nd</sup> Goods worth Rs.1,500 returned to X.

Rs.7,000 cash received from A, he became an insolvent.

- 25<sup>th</sup> Salary paid to Aruna Rs.1,500, Sundry expenses paid Rs.2,100 by cheque.
- 26<sup>th</sup> Purchased machinery from Kiran Rs.10,000 and paid him by means of a bank draft for Rs.10,080 purchased from Bank.
- 27<sup>th</sup> Goods worth Rs.3,000 returned to Z and received discount from him Rs.500 also paid Rs.5,000 by cheque and Rs.2,000 by Cash.
- 28<sup>th</sup> Interest received from Shilpa Rs.15,000  
Paid Advertisement Rs.2,500 and Rent Rs.2,500 by means of cheque.
- 29<sup>th</sup> Goods worth Rs.5,000 purchased from Joy for cash.
- 30<sup>th</sup> Goods distributed by the way of free samples Rs.6,000.  
Paid Telephone charges Rs.15,000. (Including Rs.5,000 for home use)  
Rs.10,000 Cheque received from B and deposited in to the bank.
- 31<sup>st</sup> B's cheque was returned diahonoured.  
Paid Rs.5,000 cheque to Y and received discount from him Rs.1,000.

**Required:**

Record the above transactions in the Prime Entry books, post them into Ledgers, balance off the accounts, and prepare the Trial Balance as at 31<sup>st</sup> January 2006

(45 Marks)

2. The cash book of Mr. John showed Rs.9,500 as the balance at Bank as 31<sup>st</sup> December, 2005, but he found that this did not agree with the balance as per the Bank Pass Book. On scrutiny he found the following discrepancies.

1. Out of the total cheques amounting to Rs.12,500 issued a cheque of Rs.2,500 was dishonoured as signatures differed and this fact was not recorded in the Cash Book.
2. Bank charges for dishonoured cheques amounting to Rs.100 were debited by the bank but not recorded in the Cash Book.
3. Interest Rs.2,800 and Dividend Rs.1,250 was collected by the bank as per standing instruction of the proprietor.
4. Cheques deposited but not cleared up to 31<sup>st</sup> December,2005 amounting to Rs.5,000.
5. A cheque of Rs.3,000 was deposited directly in the bank by the customer.
6. One out-going cheque of Rs.350 was recorded twice in the cash book.

**Required:**

Prepare the Bank Reconciliation Statement as at 31<sup>st</sup> December 2005

(15 Marks)

The following is the trial balance extracted from books of Mr. Wilson as on 31<sup>st</sup> December 2005. You are required to prepare the Trading and Profit and Loss account for the year ended 31<sup>st</sup> December 2005 and Balance Sheet as on that date after making the necessary adjustments.

**Trial Balance as at 31.12.2005**

Item	Dr.	Cr.
Stock as at 1 <sup>st</sup> January 2005	65 000	
Furniture (cost Rs.500 000)	475 000	
Land and Building (cost)	300 000	
Equipment (cost Rs.100 000)	75 000	
Office premises (cost Rs.75 000)	70 000	
10% Investment (as on 1 <sup>st</sup> July 2005)	150 000	
Sundry Debtors/ Creditors	58 000	77 000
5% Bank Loan		100 000
Rent Received		25 000
Interest received		32 000
Discount allowed, discount Received	18 000	15 500
Purchase / Sales	535 000	700 000
Sales Returns/ Purchase Returns	6 000	5 000
Salaries	15 000	
Interest received in advance		5 500
Rent receivable	10 000	
Audit fees	2 000	
Salesman's commissions	5 000	
Out standing salaries		6 000
Audit fee paid in advanced	500	
Bad-debt	7 000	
Provision from doubt full debt		68 00
Interest on bank loan	4 000	
Investment income		5 000
Drawings	2 300	
Rent	12 000	
Advertisement	4 000	
Pre paid advertisement	600	
Postage	4 500	
Establishment expenses	1 000	
Carriage in ward	10 000	
Carriage out ward	2 500	
Stationary	5 000	
Electricity	1 400	
Bank overdraft		15 000
Cash in hand	10 000	
Capital		856 000
	<b>1 848 800</b>	<b>1 848 800</b>

**The following adjustments are to be made:**

1. stock as at 31<sup>st</sup> December 2005, amounting to Rs.50 000
2. Wilson had withdrawn goods worth Rs.6 000 during the year
3. Debtors include an amount of Rs.3 000 outstanding from a customer, who has become a insolvent and a provision for doubtful debts is to be made at 10%
4. Interest Received in advance Rs.800
5. Salary Rs.500, postage Rs.100, and rent Rs.500 are unpaid yet.
6. Rent of Rs.500 is receivable.
7. Advertisement of Rs.1000, Audit fee of Rs.1200 are paid in advance.
8. Depreciation on fixed assets is to be provided as follows:
  - Furniture 2% at cost
  - Equipment 5% at cost
  - Office premises 10% at cost

(40 Marks)