

EASTERN UNIVERSITY, SRI LANKA
SECOND YEAR SECOND SEMESTER EXAMINATION IN SCIENCE-2004/2005
(OCTOBER / NOVEMBER 2006)
(PROPER/REPEAT)
OC 205 - FINANCIAL ACCOUNTING II

Answer All Questions

Time: 01 Hour

Calculator Permitted

1. The trial Balance of a trader on 31st December, 2005, showed a difference of Rs.4,460 (Debit Balance). It was put to a suspense Account and the books were closed. On going through the books in January, 2006, following errors were discovered.
1. An amount of Rs.2, 500 paid to creditor Mr. Shiyam was recorded only in the Cash Book.
 2. Office Furniture purchased on 1st January 2005 for Rs.15,000 was wrongly posted to Purchase Account. The Depreciation on Furniture was 8%.
 3. Advertisement charge paid in advanced at 31st December, 2005, Rs.5, 000 was posted to Advertisement Account.
 4. Rs.1, 000 being Purchase Returns was posted to the debit side of Purchase Returns Account.
 5. Sales Day Book was over-cast by Rs.15, 000.
 6. Interest Received Rs.950 was wrongly debited to Interest Paid Account as Rs.590.
 7. A Discount Allowed of Rs.1, 000 was wrongly credited to Discount Received Account.
 8. Rent Received Rs.1, 500 entered in the Cash Book was not posted to the Ledger.
 9. A credit column of cash Book was under-cast by Rs.3, 000.
 10. Salary paid Rs.7, 000 was posted to the same Account two times.

You are required to:

1. Pass the journal entries to rectify the above mentioned errors
2. Prepare the suspense Account
3. Prepare the Profit & Loss adjustments Account for the month of December. (Net Profit before the correction of errors is Rs.66, 600)

(30 Marks)

2 The Receipts and Payments Account of Prince Club, for the year ended 31st December, 2005.

Receipts	Rs.	Payments	Rs.
Opening Balances		Rents & rates	5,000
Cash	50,000	Wages	22,000
Bank	20,000	Lighting Charges	15,000
Subscription	1,500,000	Furniture Purchased	20,000
Rent Received	10,000	Diet Expenses	150,000
Interest Received	107,000	Instruments Purchased	12,500
Donation	55,000	Insurance	12,000
Sundry Income	70,000	Office Expenses	27,000
Interest on Fixed Deposit	1,000	8% Fixed Deposits(on 1 st July, 2005)	50,000
		Books Purchased	5,000
		Electricity	2,500
		Sundry Expense	20,000
		Closing Balance	
		Cash	332,000
		Bank	1,140,000
	1,813,000		1,813,000

Additional Information:

1. Balance as on 1st January, 2005.

Land (Cost)	Rs.1, 000,000	Building	Rs.500,000
Furniture (Book Value)	Rs.1, 200,000	Investments	Rs1,500,000
Instruments (Book Value)	Rs.500, 000	Subscriptions Outstanding	Rs.125, 000
Rent & rates Outstanding	Rs.60, 000	Interest receivable	Rs.50, 000
Pre-paid Insurance	Rs.1, 000	Books Worth	Rs.12,000

2. Outstanding Balances for the year ended 2005.

Subscription Receivable	Rs.50, 000
Rents & Rates Outstanding	Rs.150, 000
Interest receivable	Rs.70, 000

3. Prepaid Insurance Rs.6, 000 for the year ended 2005.

4. Depreciation on Fixed Assets for the year ended 2005 is to be made as follows;

- Furniture (Including New) 2% p.a at Book Value
- Books Worth (Including New) 5% at cost
- Instruments (Excluding New) 8% p.a at Book Value

You are required to prepare the:

1. Income and Expenditure Account for the year ended 31st December,2005
2. Balance Sheet as on 31st December,2005

(70 Marks)