

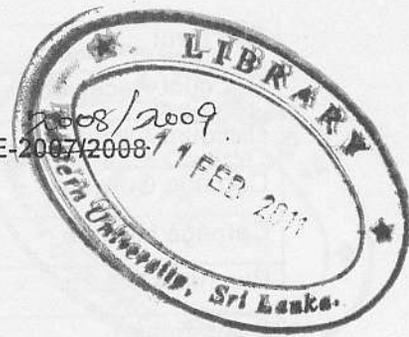
EASTERN UNIVERSITY SRI LANKA

FACULTY OF SCIENCE

SECOND YEAR SECOND SEMESTER EXAMINATION IN SCIENCE-2007/2008

(OCTOBER 2010) (PROPER/REPEAT)

OC 204 FINANCIAL ACCOUNTING - I



Answer all questions

Non programmable Calculator permitted

Time: 02 Hours

1. The trial balance Extracted from the books of sole trader as at 31.12.2008 are as follows:

The Trial Balance as at 31.12.2008

Particulars	Debit (Rs.)	Credit (Rs.)
<b>Fixed Assets</b>		
Land & Building	400,000	
Furniture & Fittings	100,000	
Motor vehicles	300,000	
Equipment	80,000	
<b>Provision for Depreciation as at 01.01.2008</b>		
Land & Building		40,000
Furniture & Fittings		20,000
Motor vehicles		108,000
Equipment		15,200
Capital		521,000
Drawing	48,000	
15% Bank loan		100,000
Interest from bank loan	7,600	
Rent & Rates	22,000	
Electricity	24,800	
Stationery	20,600	
Sales man's Salary	54,000	
Office salary	24,000	
Vehicle Insurance	28,000	
Sales Commission	24,000	
Advertisement	49,000	

Bad Debt	5,000	
Discount Received		7,800
Discount Allowed	10,000	
Carriage Outwards	28,000	
Carriage inwards	20,000	
Purchase Return		40,000
Sales Return	50,000	
Purchases	950,000	
Sales		1600,000
Cash & Bank	34,000	
Provision for doubtful debts as at 01.01.2008		4,000
Creditors		73,000
Debtors	60,000	
Stock as at 01.01.2008	140,000	
10% Investment	50,000	
	<b>2529,000</b>	<b>2529,000</b>

**Additional Information:**

1. Stock as at 31.12.2008 Rs. 150000
2. Expenses payable as at 31.12.2008
  - i. Electricity Rs.2,900
  - ii. Rent and Rates Rs. 5000
  - iii. Interest on bank loan Rs.7500
3. Advertisements prepaid Rs. 6000
4. Investment income receivable Rs. 5000
5. The bad debt of Rs 4000 is to be written off from the debtors balance and a provision for doubtful debt is to be made at 10% on the remaining debtor's balance.
6. The provisions for depreciation for the fixed assets are to be made as follows:
  - Land & Building 5% p.a (at cost)
  - Furniture 10% p.a (at cost)
  - Motor vehicle 20% p.a (at reducing balance)
  - Equipment 10% p.a (at reducing balance)

**Required:**

Prepare the Trading and Profit & Loss account and the Balance Sheet for the year ended 31.12.2008.

(40 Marks)

2. (a) What is the meaning and objectives of the Financial Accounting?

(b) Show the effect of the following transactions on the Assets = Liabilities + Capital of

Mr. Kumar through the accounting equation.

1. He started business with cash of Rs. 200,000
2. He purchased goods for cash Rs.50,000
3. Purchased goods on credit from Mohan for Rs.18,000
4. Sold goods for cash costing Rs.28,000 for Rs.35,000
5. Withdraw Rs.5, 000 from business in cash to pay for his private expenses.
6. Electricity bills paid for Rs.4,800
7. He sold goods on credit costing Rs.17,000 to Suresh for Rs.20,000
8. He borrowed Rs.5,000 from Ramesh
9. Purchased goods for cash Rs.2,5000
10. Plant purchased for cash Rs.50,000

(20 Marks)

(Total 25 Marks)

3. On 31<sup>st</sup> march 2009, the Bank column of Cash book showed a debit balance of Rs.10,550. On examination of the cash book & the pass book, following points were noted.

- I. Cheques issued but not presented for payment up to 31<sup>st</sup> march 2009 amounted to Rs. 5,200.
- II. There was a debit of Rs.400 in the pass book for locker's rent.
- III. Cheques deposited but not cleared up to 31<sup>st</sup> march 2009 amounted to Rs. 3,800.
- IV. Insurance premium of Rs.1, 500 were directly paid by the Bank.
- V. Interest on deposits Rs.1, 200 was directly credited in the bank.
- VI. A cheque of Rs. 4,000 was deposited directly in the bank by the customer.

**Required:-**

Prepare a Bank Reconciliation Statement & find out the bank balance as per pass book on 31<sup>st</sup> March 2009

(15 Marks)

4. The trial balance of Ram on 31<sup>st</sup> December 2009 showed a credit balance of Rs. 3,800. The amount is placed to the credit of a newly opened suspense account. Subsequently the following mistakes were discovered.

- i. Sales Day Book was over cast by Rs. 1,000
- ii. A sale of Rs. 500 to Sri Ram a/c was wrongly debited to Sri Krishna a/c
- iii. General Expenses Rs. 4,500 were posted as Rs. 5,400
- iv. Cash received from Ram was debited to his account Rs. 1,500
- v. While carrying forward the total of one page of the purchase book to the next page, the amount of Rs. 12,350 was entered as Rs. 13,250

**Required:**

1. Pass the necessary journal entries for rectifying those mistakes
2. Prepare the suspense account

(20 Marks)