

29 MAY  
Eastern University

**EASTERN UNIVERSITY, SRI LANKA**  
**SECOND YEAR/ SECOND SEMESTER EXAMINATION IN SCIENCE-2005/2006**  
**(MARCH 2008) (PROPER / REPEAT)**  
**OC 205 - FINANCIAL ACCOUNTING- II**

Answer All Questions

Time: 01 Hour

Calculator Permitted

The Receipts and Payments Account of a Charity Children Home for the year ended 31.12.2007 is given below:

Receipts	Rs.	Payments	Rs.
Cash balance at 01.01.2007	40,000	Children care expenses	80,000
Members' subscription	160,000	Administrative salaries	24,000
Donation	80,000	Stationery	5,200
Interest on Fixed deposit	20,000	Prizes	6,300
		Insurance	5,000
		Sports Equipment	30,000
		Furniture	50,000
		Electricity	20,000
		Sundry expenses	13,500
		Annual get-together	36,000
		Cash Balance at 31.12.2007	30,000
	<b>300,000</b>		<b>300,000</b>

Other Balances are as follows:

Balances as at	01.01.2007	31.12.2007
	Rs.	Rs.
Land & Building (Book value)	250,000	240,000
Furniture (Book value)	80,000	110,000
Sports Equipment (Book value)	70,000	90,000
Fixed Deposit	100,000	100,000
Subscription in arrears	9,000	7,000
Subscription received in advance	6,000	2,000
Electricity Payable	5,000	3,000

**Required :**

Prepare the following for the Charity Children Home

- i. Statement of Affairs as at 01.01.2007.
- ii. Subscription Account
- iii. Income & Expenditure Account for the year ended 31.12.2007.
- v. Statement of Affairs as at 31.12.2007.

(Show workings clearly)

**(60 Marks)**

2. The Trial Balance prepared by the bookkeeper of trading firm as at 31.12.2007 did not agree in total. The difference in the trial balance was put in a suspense account. Then, the following accounting errors were found out.

- i. The sales day book was under cast by Rs.10000
- ii. The purchases day book was over cast by Rs.1000
- iii. Salaries account was under cast by Rs.5000
- iv. Discount Received Rs.3000 was debited to Discount Allowed account.
- v. Purchase of furniture of Rs.8000 was debited to Purchase account
- vi. Sales of a motor vehicle of Rs.9000 was credited to Sales account
- vii. Insurance paid Rs.4500 was wrongly entered in the same account as Rs.5400.

**Required:**

- i. Write the journal entries to rectify the accounting errors.
- ii. Prepare the Suspense account and find out the opening balance.

**(20 marks)**



3. Kamal and Vimal are the partners sharing profits and losses in a business in the ratio 3:2. The relevant financial information for their financial year ended 31.12.2007 are as follows:

- Capital Accounts: Kamal – Rs.200000  
Vimal – Rs.150000
- Current Accounts: Kamal – Rs.20000 Cr.  
Vimal – Rs.10000 Cr.
- Drawings Accounts: Kamal – Rs.20000  
Vimal – Rs.10000
- All the partners are entitled to a 10% annual interest on their capital balances
- Kamal is entitled to an annual salary of Rs.24000
- All the partners are charged a simple interest of 5% per annum on their drawings
- The net profit for the year is Rs.250000

**Required:**

Prepare the Profit and Loss Appropriation Account for the year ended 31.12.2007

**(20 marks)**