

Answer All Questions

Time: Three (03) hours

Non Programmable Calculator Permitted

1. (I) The Trial Balance prepared by the bookkeeper of Dilani Stores as at 30.09.2004 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.
- The sales day book was under cast by Rs.10000
 - The purchases day book was over cast by Rs.1000
 - Salaries account was under cast by Rs.5000
 - Discount Received Rs. 3000 was debited to Discount Allowed account.
 - Purchase of furniture of Rs.8000 was debited to Purchase account.
The depreciation on furniture is provided at 10%p.a at cost.
 - Sales of a motor vehicle of Rs.9000 was credited to Sales account
 - Insurance paid Rs.4500 was wrongly entered in the same account as Rs.5400.

Required:

- Write the journal entries to rectify the accounting errors.
- Prepare the Suspense account and find out the opening balance.
- Assuming that the Net profit calculated before the correction of errors is Rs.54800, calculate the Net profit after the correction of the errors.

6 Marks

(II) The Bank statement of Rubi Stores for the month of September 2004 is

follows.

Date	Particulars	Cheque No.	Debit	Credit	Balance
2004					
Sep 1	Balance b/f				15
4	Ravi	583942	12500		3
5	Deposit – Cheque	460274		10000	13
8	Ramesh	583943	9500		3
12	Deposit - Cheque	295683		7800	11
18	Sanjeev	583944	8800		2
24	Dividend realized			5000	7
28	Direct Deposit by Nathan			3000	10
30	Standing Order payment (Electricity bill)		6500		4
	Bank Charges		1500		2

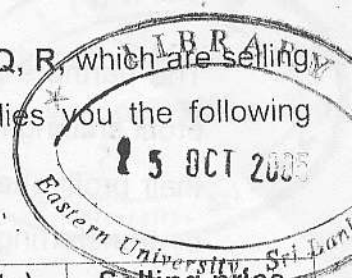
The Bank account of Rubi Stores for the same month is as follows:

Date		Cheque	Rs.	Date		Cheque
2004				2004		
Sep 1	Balance b/d		15500	Sep 2	Ravi	583942
2	Guhan	460274	10000	4	Ramesh	583943
8	Kamal	295683	7800	10	Sanjeev	583944
20	Nimal	859206	6500	18	Mohan	583945
25	Risvi	674889	8000	25	Furniture	583946
29	Jeevan	129857	5200	30	Suthan	583847
				30	Balance c/d	
			53000			

Required:

1. Update the Cash Book (Bank Account)
2. Prepare the Bank Reconciliation statement as at 30.09.2004.

(III) A business firm having three departments, namely P, Q, R, which are selling three different kinds of spare parts of an equipment, supplies you the following information for the financial year ended 30.09.2004.



Department	Stocks (units) at 1.10.2003	Purchases (units)	Sales (units)	Selling price per unit (Rs.)
P	1200	10000	10200	40
Q	800	20000	19200	45
R	1520	24000	24960	50

The total cost of purchase was Rs.1840000

The Gross profit margin was the same in each department.

Purchase and Selling prices are constant for the last two years

Required:

Prepare the Departmental trading account for the year-ended 30.09.2004 in the columnar form.

8 Marks

Total 20 Marks

2. (I) Roshan, Chamini, and Jeeva are the partners sharing profits in a business in the ratio of 5:3:2. Their balance sheet as at 30.09.2004 is as follows.

Liabilities	Rs.	Assets	Rs.
Capital - Roshan	250000	Land and Buildings	400000
- Chamini	150000	Furniture	150000
- Jeeva	100000	Stocks	50000
General Reserve	100000	Trade debtors	45000
Loan from Jaufer	50000	Cash & bank	55000
Trade creditors	50000		
	700000		700000

The partners agreed to admit Mr. Jaufer in their partnership from 1.10.2004 with profit sharing ratio of 1/5, which is to be shared by the existing partners according to their profit sharing ratios, and the capital of Rs.100000 which is to be raised in part by transferring the whole amount of loan from him and the balance by cash. On the same date Jeeva decided to withdraw from the partnership. On that date the goodwill of the partnership was estimated at Rs.60000, and it was decided that a goodwill account would be raised for the goodwill and it should be adjusted through partners' capital account. And further the following assets and liabilities were also revalued on that date as under

	Rs.
Land and Buildings	450000
Furniture	125000
Stocks	45000
Debtors	43000
Creditors	48000

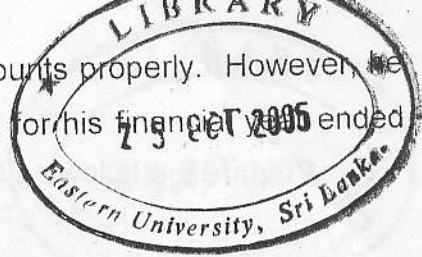
The amount payable to Jeeva was paid by cash on 1.10.2004.

Required:

Prepare the following

- i. Partners' Capital account
- ii. Cash & Bank account
- iii. Assets Revaluation account
- iv. The balance sheet as at 1.10.2004

(II) Mr. Bandara, a sole Trader, did not maintain his accounts properly. However, he was able to supply the following financial information for his financial year ended 30.09.2004.



i. The summary of his transactions for the year is:

Transactions	Rs.
Cash sales	140000
Cash purchases	70000
Received from debtors paid into Bank	500000
Paid to creditors by cheque	420000
Rent paid	20000
Salesman salaries paid by cheque	28000
Selling expenses paid	15000
Sundry expenses paid	5000
Equipment purchased by Cheque	60000

ii.

The balances as on	1.10.2003	30.09.2004
	Rs.	Rs.
Cash	15000	10000
Bank Balance	5000	7000
Stocks	60000	10000
Debtors	37000	47000
Creditors	30400	25400
Rent payable	3000	9000
Furniture	100000	90000
Equipment	40000	90000

iii. Other information:

- He sold the goods both on credit and cash at cost plus 25%.
- On 25th September 2004, some goods were destroyed by fire in the stores.
- During the year Mr. Bandara had drawn cash from the business for his personal use. He had not kept any record of his drawings.

Required:

Prepare the following for Mr. Bandara:

- i. The Balance Sheet as at 1.10.2003.
- ii. Cash Book (Two Column) for the year ended 30.09.2004.
- iii. The Trading and Profit and Loss account for the year ended 30.09.2004.
- iv. The balance sheet as at 30.09.2004.

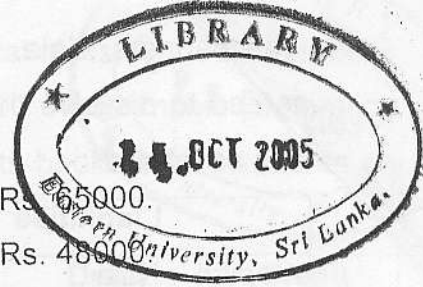
10 Marks

Total 20 Marks

3. Greens Ltd. operates through a Head Office in Colombo and an independent branch in Batticaloa. All purchases are made by the Head Office, which invoices the branch at cost plus 33 1/3%. The Trial balances of the Head Office and the Branch as at 30.09.2004 are as follows.

	Head Office		Branch	
	Dr. (Rs.)	Cr. (Rs.)	Dr. (Rs.)	Cr. (Rs.)
Sales		800000		436000
Purchases	650000			
Goods sent to branch		250000		
Goods received by branch			234000	
Stocks as at 1.10.2003	63000		40000	
Provision for unrealized profit as at 1.10.2003		10000		
Administrative salaries	88000		45000	
Rent and rates	30000			
Sundry Expenses	18500		5000	
Fixed assets at cost / Provision for depreciation as at 1.10.2003	500000	150000	150000	50000
Debtors / Creditors	86500	65000	20000	
Bank	30000		6000	
Share Capital		200000		
Profit and Loss account as at 1.10.2003		25000		
Branch Current Account	34000			
HO Current Account				14000
	1500000	1500000	500000	500000

Additional Information:



1. Stocks as at 30.09.2004: Head Office (at cost) – Rs. 65000.
Branch (at invoiced price) – Rs. 48000
2. Stocks in transit (at Invoice price) – Rs. 16000.
Cash in transit – Rs. 4000.
3. All bills for rent and rates are directed to the Head Office. At the end of the year, the Head Office has decided to charge 25% of these expenses to the branch.
4. Fixed assets are to be depreciated at 10% p.a using reducing balance method.
5. Sundry expenses payable as at 30.09.2004:
Head office - Rs.1500
Branch - Rs.1000

Required:

- I. Prepare the following in the columnar form for the Head Office, Branch, and the Combined business.
 - i. The Trading, and Profit and Loss account for the year ended 30.09.2004.
 - ii. The Balance sheet as at 30.09.2004.
- II. Prepare the Head Office Current Account and The Branch Current Account.

20 Marks

4. The partners, Kala, Nila, and Mala sharing profits and losses on the ratio of 5:3:2 agreed to dissolve their partnership on 30.09.2004. On that date their balance sheet was as follows:

Liabilities	Rs.	Assets	Rs.
Capital – Kala	200000	Land and Buildings	160000
- Nila	120000	Furniture	80000
- Mala	40000	Stocks	60000
Creditors	40000	Debtors	50000
		Cash in hand	20000
	400000		400000

The assets were realized in piecemeal as follows:

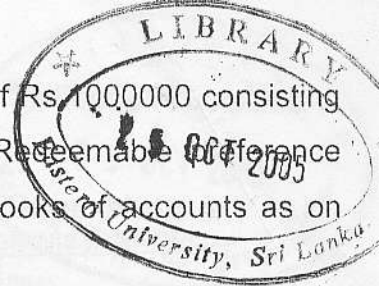
Date of Realization	Assets	Rs.
05.10.2004	Stocks (a part)	32000
	Debtors (a part)	32000
15.10.2004	Stocks (Balance)	24000
	Debtors (Balance)	16000
	Furniture (a part)	40000
31.10.2004	Land and Buildings	144000
	Furniture (Balance)	40000

The liquidation expense of Rs.8000 was paid on 31.10.2004. Creditors were paid in full.

Required:

Prepare the following

- The statement showing the method of distribution of proceeds from realization of assets among the partners (Using Proportionate Capital method).
- Realization account
- Partners' Capital account
- Cash account



5. Browns Ltd has been incorporated with an authorized capital of Rs. 1000000 consisting of 80000 ordinary shares of Rs.10 each and 10% 20000 Redeemable Preference shares of Rs.10 each. The trial balances extracted from its books of accounts as on 30.09.2004 were as under

Items	Debit	Credit
	Rs.	Rs.
Issued and paid up ordinary share capital		500000
Issued and paid up 10% Redeemable Preference share capital		200000
Share premium		250000
General Reserve		100000
Profit and Loss account as at 1.10.2003		45000
15% Debentures		200000
Non Current Assets at cost / Provision for Depreciation as at 1.10.2003:		
Land and Buildings	800000	100000
Furniture and Fittings	240000	40000
Motor vehicle	500000	150000
Investments	300000	
Trade Debtors / Trade Creditors	110000	120000
Provision for doubtful Debt as at 1.10.2003		8000
Stocks as at 1.10.2003	142000	
Purchases	850000	
Sales		1530000
Returns	17000	10000
Administration expenses	58500	
Selling and distribution expenses	75500	
Directors Remunerations	50000	
Audit fees	10000	
Income tax paid	120000	
Provision for income tax for the last quarter of 2002/2003		30000
Debenture interest paid	15000	
Interim dividend paid - Ordinary	25000	
- Preference	10000	
Preliminary expenses	30000	
Investment income		57000
Motor vehicle Disposal account		60000
Cash and Bank	47000	
	3400000	3400000

Additional information:

I. The stocks as at 30.09.2004 - Rs.150000.

II. The provision for depreciation on fixed assets is to be made as follows:

Buildings (Cost Rs.500000)	- 2.5% at cost
Furniture & Fittings	- 10% at reducing balance
Motor Vehicle	- 10% at cost.

During the year a motor vehicle costing Rs.100000 and valued Rs.50000 at the date of disposal was disposed at Rs.60000. The proceeds from the disposal were debited to cash account and credited to Motor vehicle Disposal account. No other entries were made.

III. A bad debt of Rs.10000 is to be written off from the debtors, and thereafter a provision for doubtful debt is to be made at 10%.

IV. The income tax for the last quarter of 2002/2003 was agreed at Rs.25000 and paid off this year. The provision for the last quarter of the current year has been estimated at Rs.20000.

V. Directors decided the following

- i. To transfer Rs.20000 to General reserve
- ii. To write off one third of Preliminary expenses
- iii. To provide the final dividend of Rs.20000 for ordinary shareholders and the final dividend for Preference shareholders.

Required:

Prepare the profit and Loss account for the year ended 30.09.2004 and the Balance sheet as at 30.09.2004 in the format that can be published for shareholders. (Show your workings clearly).