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Eastern University

**EASTERN UNIVERSITY, SRI LANKA**  
**FACULTY OF COMMERCE AND MANAGEMENT**  
First Year Second Semester Examination in Business Administration / Commerce  
2009/2010 (December 2011) (Proper / Repeat / Re-Repeat)  
**DAF 1014 Financial Accounting**

**Answer All Questions**  
**Calculator Permitted**

**Time: Three (03) hours**

01. Mr.Mohan, a trader, does not maintain regular books, but keeps only memoranda of his transactions. He furnishes the following information from the memoranda for the year ended 30.06.2011.

(i) Total collections from debtors were Rs.150000

(ii) Cash Sales as collected from cash sales invoiced were Rs.96000

(iii) The abstract of the Bank Account for the year ended 30.06.2011 is as given below:

	Rs.		Rs.
Cash Deposits in collection	239550	Balance b/d	24000
		Interest and Bank Charges	450
		Personal Drawings	12000
		Salaries	51000
		General Expenses	47550
		Payment to Creditors	90000
		Balance c/d	14550
	<b>239550</b>		<b>239550</b>

(iv) Other balances as on 01.07.2010 are as follows:

	Rs.
Stock	54000
Debtors	132000
Furniture	6000

	Rs.
Buildings	90000
Creditors	48000
Cash in hand	500

(v) He purchased a Second hand motor cycle for Rs.6000 on 01.02.2011.

(vi) Besides the cash balances with the cashier, the following are the other balances as on 30.06.2011:

Stock-Rs.61200,

Debtors-Rs.180000,

Creditors-Rs.33000

(vii) Depreciation is to be provided at 10% p.a. on all fixed assets

**Required:**

Prepare the following showing the workings clearly:

(a) The Trading, and Profit and Loss Account for the year ended 30.06.2011

(b) The Balance Sheet as at 30.06.2011

**(25 Marks)**

02. Following is the Receipt and Payment Account of Recreation Club for the year ended on 30.06.2011.

Receipts	Rs.	Payments	Rs.
Cash and Bank balance b/d	31800	Secretary's Salary	120000
Subscription	180000	Salaries to Staff	250000
Sale of old Newspapers	25000	Charities	10000
Legacies	40000	Printing and Stationery	6000
Interest received on 10% Investment	20000	Postage Expenses	1200
Endowment Fund Receipts	200000	Rates and Taxes	15000
Proceeds of Sports and Concerts	40200	Upkeep of the Land	20000
Advertisement in the Year Book	50000	Purchase of Sports Materials	100000
		Telephone Expenses	34800
		Cash and Bank balance c/d	30000
	<b>587000</b>		<b>587000</b>

The balances of some Assets and Liabilities as on 30.06.2010 and 30.06.2011 were as follows:

Balances as at	30-06-2010	30-06-2011
Land	100000	100000
Furniture	20000	18000
Subscriptions in arrears	20000	10000
Subscriptions received in advance	5000	4000

Legacies received shall be capitalized. The Investment was made in Securities, the rate of interest being 10% p.a. The date of investment made was 01.07.2009. Due date of interest was 30<sup>th</sup> June every year. Stock of sports materials on 30.06.2011 was useless and valued at NIL price.

**Required:** Prepare the following:

(a) Income and Expenditure Account for the year ended on 30-06-2011.

(b) Balance sheet as at 30-06-2011..

(Show the workings clearly)

**(25 Marks)**

03. Johns operates through a Head Office in Colombo and an independent branch in Batticaloa. Goods are sent by the Head Office to the branch at cost plus 25%. Branch also purchases goods for sale locally. The Trial balances of the Head Office and the Branch as at 30.06.2011 are as follows:

	Head Office		Branch	
	Dr. (Rs.)	Cr. (Rs.)	Dr. (Rs.)	Cr. (Rs.)
Purchases / Sales	528000	600000	60000	300000
Goods sent to branch		140000	132000	
Stocks as at 1.7.2010	36000		16000	
Provision for unrealized profit as at 1.7.2010		3200		
Wages and salaries	48000		36000	
Rates and insurance	16000			
Electricity	2600		1800	
Fixed assets at cost / Provision for depreciation as at 1.7.2010	260000	70000	100000	44000
Debtors / Creditors	36000	54800	13000	
Bank	11000		5080	
Share Capital		80000		
Accumulated Profit as at 1.7.2010		18980		
Current Accounts	29380			19880
	<b>966980</b>	<b>966980</b>	<b>363880</b>	<b>363880</b>

**Additional Information:**

- (i) Stocks as at 30.06.2011: Head Office (at cost) Rs. 44000.  
Branch Rs. 32000.  
1/5 of the goods purchased locally by the branch are included in the stocks
- (ii) Stocks in transit (at Invoice price) Rs. 8000.  
Cash in transit Rs. 1500.
- (iii) All bills for Rates and Insurance 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.
- (iv) Fixed assets are to be depreciated at 20% p.a using reducing balance method.
- (v) The Branch manager is entitled to a bonus of 2% of the net profit made by the branch before the calculation of the bonus.

**Required:**

- (I) Prepare the following in the columnar form for the Head Office, Branch, and the combined business.
- The Trading and Profit and Loss account for the year ended 30.06.2011.
  - The Balance sheet as at 30.06.2011.
- (II) Prepare the Head Office Current Account and The Branch Current Account.

(25 Marks)

04. Amir and Bala joined together to construct a building for Rs.1000000, sharing profits and losses equally. A bank account was opened in the joint names of Amir and Bala. Amir paid Rs.30000 in cash and Bala paid Rs.35000 in cash in the bank. Their transactions were as follows:

Transactions	Rs.
Wages paid	375000
Materials purchased	280000
Materials supplied by Amir	120000
Materials supplied by Bala	35000
Architect's fee paid	42000
Travelling expenses paid	8000
Miscellaneous expenses paid	34000

The contract was completed and the price duly received. Amir took over stock of building materials valued at Rs.27000.

**Required:**

Prepare the following in the books of Joint Venture:

- (i) Joint Venture Account
- (ii) Co-Ventures' Capital Account
- (iii) Joint Bank Account

(13 Marks)

05. The relevant information of a business firm having three departments, A, B, and C, for the year ended 30.06.2011 is given below:

Departments	Purchases (Units)	Opening Stock (Units)	Closing Stock (Units)	Selling Price per unit (Rs.)
A	1500	200	100	200
B	1000	300	160	250
C	2000	150	200	300

**Additional Information:**

- (i) Purchases were made at a total cost of Rs.920000.
- (ii) The Gross Profit Margin is the same in each department.
- (iii) Purchases and Sales are constant for the last two years.

**Required:**

Prepare the Department Trading Accounts in the columnar form, showing the workings clearly.

(12 Marks)