

EASTERN UNIVERSITY, SRI LANKA
FACULTY OF COMMERCE AND MANAGEMENT
SECOND YEAR SECOND SEMESTER EXAMINATION IN BACHELOR OF BUSINESS
ADMINISTRATION HONS/ BACHELOR OF COMMERCE HONS 2018/2019
(JANUARY 2022) (PROPER/ REPEAT)
DAF 2043 ADVANCED ACCOUNTING

Answer All Questions

Calculator Permitted

Time: Three (03) hours

01. Dario has completed his financial statements for the year ended 31 December 2021, which showed a profit of Rs.81,208, when he realized that no bank reconciliation statement had been prepared for that date. When checking the cash book against the bank statement and carrying out other checks, he found the following.
- a. A cheque for Rs.1,000 had been entered in the cash book but had not yet been presented.
 - b. Cheques from customers totaling Rs.2,890 entered in the cash book on 31 December 2021 were credited by the bank on 1 January 2022.
 - c. Bank charges of Rs.320 appear in the bank statement on 30 December 2021 but have not been recorded by Dario.
 - d. A cheque for Rs.12,900 drawn by Dario to pay for a new item of plant had been mistakenly entered in the cash book and plant account as Rs.2,900. Depreciation of Rs.290 had been charged in the statement of comprehensive income for this plant.
 - e. A cheque for Rs.980 from a credit customer paid in on 26 December was dishonoured after 31 December 2021 and Dario decided that the debit would have to be written off as the customer was now untraceable.
 - f. A cheque for Rs.2,400 in payment for some motor repairs had been mistakenly entered in the cash book as a debit and posted to the credit of motor vehicles account. Depreciation at 25% per annum (straight line) is charged on motor vehicles, with a full year's charge calculated on the balance at the end of each year.
 - g. The total of the payments side of the cash book had been understated by Rs.1,000. On further investigation it was found that the debit side of the purchases account had also been understated by Rs.1,000.
 - h. Dario had instructed his bank to credit the interest of Rs.160 on the deposit account maintained for surplus business funds to the current account. The bank had done on 28 December 2021. Dario had made an entry on the payments side of the cash book for this Rs.160 and had posted it to the debit of interest payable account.

- i. Dario had mistakenly paid an account for Rs.870 for repairs to his house with a cheque drawn on the business account. The entry in the cash book had been debited to repairs on the premises account.
- j. Dario had also mistakenly paid Rs.540 to Paul, a trade supplier, to clear his account in the purchases ledger, using a cheque drawn on Dario's personal bank account. No entries have yet been made for this transaction. The cash book showed a debit balance of Rs.4,890 before any correcting entries had been made. The balance in the bank statements is to be derived from your answer.

You are required to:

- i. Prepare an adjusted cash book showing the revised balance which should appear in Dario's statement of financial position at 31 December 2021.
- ii. Prepare a bank reconciliation statement as at 31 December 2021.
- iii. Draw up a statement for Dario's showing the effect on his profit of the adjustments necessary to correct the errors found.

(Total 10 Marks)

02. Givona, wholesale fruit and vegetable merchant, does not keep a full set of accounting records. However, the following information has been produced from the business's records.

a. Summary of the bank account for the year ended 31 December 2021

Particulars	Rs.	Particulars	Rs.
01.01.2021 balance b/f	1,970	Payments to suppliers	72,000
Cash from trade receivables	96,000	Purchase of motor van (E471 KBR)	13,000
Sale of private yacht	20,000	Rent	2,600
Sale of motor van (A123 BWA)	2,100	Wages	15,100
		Motor vehicle expenses	3,350
		Postages and stationery	1,360
		Drawings	9,200
		Repairs and renewals	650
		Insurances	800
		31.12.2021 balance c/f	2,010
	120,070		120,070
01.01.2022 balance b/d	2,010		

b. Assets and liabilities, other than balance at bank

	1 January 2021	31 December 2021
Trade accounts payable	4,700	2,590
Trade accounts receivable	7,320	9,500
Rent accrued	200	260
Motor vans		-
A123 BWA		
At cost	10,000	-
Accumulated depreciation	8,000	-
E471 KBR		
At cost	-	13,000
Accumulated depreciation	-	?
Inventory	4,900	5,900
Insurance prepaid	160	200

- c. All receipts banked and all payments made from the business bank account.
- d. A trade debt of Rs.300 owing by Adams and included in the trade accounts receivable at 31 December 2021 (see (b) above), is to be written off as an irrecoverable debt.
- e. It is Givona's policy to provide depreciation at the rate of 20% on the cost of motor vans held at the end of each financial year; no depreciation is provided in the year of sale or disposal of a motor van.
- f. Discounts received during the year ended 31 December 2021 from trade accounts payable amounted to Rs.1,100.

You are required to:

- Prepare the Givona's Income Statement for the year ended 31st December 2021.
- Prepare the Givona's Statement of Financial Position as at 31st December 2021.

(Total 20 Marks)

03. The following information relates to a small scale shoes manufacturing company BEAT for the 01st quarter ended 30th June 2021:

- a. Details of Inventory held as at 01st April 2021 and 30th June 2021 are given below:

Type of Inventory	As at 01 st April 2021 (Rs.)	As at 30 th June 2021 (Rs.)
Raw Materials	75,000	35,000
Work in Progress	12,600	17,000

Finished goods held for Resale	74,000	50,000
Total	161,600	102,000

- b. Purchase of Raw Materials for the 01st Quarter is Rs.1,256,000.
- c. Salaries, wages and related expenses are as follows:
- Factory Manager's salary is Rs.65,000 per month.
 - Other production staff's total salaries amounting to Rs.44,000 per month.
 - Direct wages are paid based on the pair of shoes produced. During the 01st quarter 1,250 pair of shoes were produced.
 - The payment of direct wages varies based on the employee category and the details of employee categories and payment rates are as follows:

Employee Category	Rate per pair of shoes produced (Rs.)
Machine operators	95
Helpers	20

- d. Depreciation charge for machinery and factory building per quarter are Rs.5,000 and Rs.8,000 respectively.
- e. Details of other expenses incurred during the 01st quarter are given below:

Expenses	Rs.
Factory electricity	120,000
Direct expenses	56,000
Factory maintenance	27,000
Indirect materials	9,000

- f. The following additional information is also provided:
- Work in Progress (WIP) is valued at prime cost.
 - Raw materials amounting to Rs.13,000 were damaged due to improper storage arrangements.
 - 25% of the factory building area is used for the BEAT sales outlet.
 - Manufactured goods are transferred to the sales division with a markup of 25% on its selling price.

You are required to:

- Prepare Manufacturing Account of BEAT's for the quarter ended 30th June 2021.
- Compute the value at which the goods are transferred to the sales division.

(Total 20 Marks)

- Depreciation relating to this machine has not been recorded in the depreciation account.
- d. During the year, a customer has placed an order to purchase 10 chairs at an agreed total price of Rs. 22,500 and this has been included in the revenue and trade receivables for the year. These chairs were delivered to the customer in April 2020.
 - e. An equipment which was acquired on 1 April 2017 at a cost of Rs. 50,000, was disposed on 1 April 2019 for Rs. 44,000. Equipment is depreciated at 10% p.a. on the straight-line basis. Cash received has been credited to the equipment account. No other adjustments have been made in relation to this.
 - f. On 1 October 2019, the company raised funds of Rs. 100,000 (par value) by issuing 12% bonds. No entries have been recorded in the books except for crediting stated capital with the cash received.
 - g. Income tax paid includes tax paid relating to the previous year amounting to Rs. 2,500. The income tax provision for the current year was estimated at Rs. 11,200.
 - h. Land was revalued during the year by a professional valuer. The revalued amount was Rs. 1,520,000.
 - i. The suspense account represents the amount paid by the insurance company to fully cover the damage occurred due to a fire at the stores during this year.
 - j. Accrued electricity as at 31 March 2020 was Rs. 11,000.

You are required to:

- i. Prepare the Statement of Comprehensive Income for the year ended 31 March 2020.
- ii. Prepare the Statement of Changes in Equity for the year ended 31 March 2020.
- iii. Prepare the Statement of Financial Position as at 31 March 2020.

(Total: 20 marks)

05.

- (I) Sonu, Meenu and Bhanu are partners sharing profits and losses in the ratio of 3:2:1 respectively. The partnership's draft profit for the year ended 31 December 2020 was Rs. 900,000. The partnership agreement includes the following.
- a. Sonu and Meenu are entitled to a monthly salary of Rs. 30,000 and Rs. 20,000 respectively.
 - b. Interest should be paid at 10% p.a. on the partners' opening capital balances.

Additional information

- a. Balances in the capital accounts and current accounts as at 1 January 2020.

Partner	Capital account balances	Current account balances
Sonu	Rs. 100,000	Rs. 10,000 (Cr)
Meenu	Rs. 80,000	Rs. 7,500 (Dr)
Bhanu	Rs. 50,000	Rs. 11,000 (Cr)

b. Partners have made the following drawings during the year.

Meenu: Rs. 10,000

Bhanu: Rs. 25,000

c. Sonu provided a loan of Rs. 200,000 to the partnership on 1 July 2020 at an interest rate of 13% p.a. Interest payable has not yet been accounted for.

d. During the year Bhanu took a computer belonging to the partnership at its carrying value of Rs. 120,000, for his personal use. No adjustment has been made with regard to this transaction.

e. Recoverability of Rs. 75,000 receivables from a customer was doubtful by the end of the year. No adjustment has been made in relation to this.

You are required to:

i. Prepare the appropriation account for the partnership for the year ended 31 December 2020.

ii. Prepare the partners' current accounts for the year ended 31 December 2020.

(Total 10 Marks)

(II) Followings are the financial details of the "Help to Live":

Receipt and Payment Account for the year ending December 31, 2020

Receipts	Rs	Payments	Rs
Cash in hand	14,000	Rent	6,000
Cash at bank	60,000	Salary	12,000
Subscriptions:		Postage	300
2019		Electricity charges	6,000
2020		Purchase of furniture	20,000
2020	91,000	Books	3,000
Sale of investment	90,000	Bonds	150,000
Interest on investment	2,000	Help to needy students	22,000
Sale of furniture (Book value Rs. 3,000)		Cash in hand	10,900
		Cash at Bank	30,000
	260,200		260,200

- a. Subscription for 2020, still owing were Rs.7,000.
- b. Interest due on bonds was Rs.7,000
- c. Rent still owing was Rs.1,000.
- d. The Book value of investment sold was Rs.80,000, Rs.30,000 of the investment were still in hand. Subscription received in 2020 included Rs.400 from a life member.
- e. The total furniture on January 1, 2020 was worth Rs.12,000.
- f. Salary paid for the year 2021 is Rs.2,000.

You are required to:

- i. Prepare the statement of Income and Expenditure for the year ended December 31, 2020
- ii. Prepare the Statement of Financial Position as at December 31, 2020

(Total 10 Marks)

(III) VESTA Ltd. got the lease of a colliery on the basis of Rs.5 per tonne of coal raised subject to a Minimum Rent of Rs.100,000 p.a. The tenant has the right to recoup short workings during first four years of the lease and not afterward. Assume that the year ends on 31 December every year.

The output in four years was 9000, 13000, 25000, 27000 and 50000 respectively.

You are required to give the Journal entries and ledger accounts in the books of VESTA Ltd.

(Total 10 Marks)