

**EASTERN UNIVERSITY, SRI LANKA**

**FACULTY OF SCIENCE**

**SECOND YEAR - FIRST SEMESTER EXAMINATION IN SCIENCE 2016/ 2017**

**(OCTOBER/ NOVEMBER 2018)**

**(PROPER/ REPEAT)**

**OC 204 FINANCIAL ACCOUNTING I**

**Answer all questions**

**Time: 02 Hours**

**Calculator is permitted**

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01. i. What is Accounting?

**(Marks 05)**

ii. Who uses information from an accounting system?

**(Marks 05)**

iii. Prepare an Accounting Equation from the following transactions in the books of Mr. Raja for October, 2018:

1 Invested Capital in the firm Rs.20,000

2 Purchased goods on credit from Das & Co. for Rs.2,000

4 Bought plant for cash Rs.8,000

8 Purchased goods for cash Rs.4,000

12 Sold goods for cash (cost Rs.4,000 + Profit Rs.2,000) Rs.6,000.

18 Paid to Das & Co. in cash Rs.1,000

22 Received from B. Banerjee Rs.300 (being a debtor)

25 Paid salary Rs.6,000

30 Received interest Rs.5,000

31 Paid wages Rs.3,000

**(Marks 10)**

**(Total Marks 20)**

02. Ron set up a business selling keep fit equipment and in his first period of trading, the following transactions occurred.

Apr. 1: Commenced business with Rs.40,000.

Apr. 4: Bought goods for cash Rs.4,000

Apr. 7: Sold goods Rs.700 (for Cash)

Apr. 10: Bought goods from Ms. Bhandari Bros. Rs.2,700.

- Apr. 14: Purchased machinery of Rs. 5,000 from Ms. Kirloskar Bros.
- Apr. 16: Paid for transportation of machinery Rs.500 & installation charges Rs.300 on it.
- Apr. 20: Paid quarterly interest on borrowed amount of Rs. 5,000 at 12% p.a.
- Apr. 24: Sold goods to Ms. Kunal & Sons Rs. 3,500.
- Apr. 27: Paid to Ms. Bhandari Bros. Rs.2600 in full settlement of account.
- Apr. 28: Ms. Kunal & Sons returned goods worth Rs.300 and paid for Rs.1,200 on account.
- Apr. 29: Received commission Rs.250.
- Apr. 30: Paid travelling to manager Rs.450.

**Required:**

- Enter the above transactions in the proper primary books and post them to ledger accounts.
- Prepare Trial Balance

(Marks 20)

03. The following is a summary of the petty cash transactions of Jockfield for May 2018.
- May 1 Received from cashier Rs.3,000 as petty cash float

	Rs.
2 Postage	180
3 Travelling	120
4 Cleaning	150
7 Petrol for delivery van	220
8 Travelling	250
9 Stationery	170
11 Cleaning	180
14 Postage	50
15 Travelling	80
18 Stationery	90
19 Cleaning	230
20 Postage	130
24 Delivery van service	430
26 Petrol	180
27 Cleaning	210
29 Postage	50

**Required:**

- Rule up a suitable petty cash book with analysis columns for expenditure on cleaning, motor expenses, postage, stationery and travelling.
- Enter the month's transactions.
- Enter the receipt of the amount necessary to restore the imprest and carry down the balance for the commencement of the following month.

**(Marks 10)**

04. Bank account as per the cash book and bank statement of Brain are given below.

**Cash book**  
**October 2018**

Details	Rs.	Details	Rs.
Balance	102,000	Salary 5019	5,600
Raja 2256	15,000	Rent 5020	4,000
Karish 3245	3,800	Stationary 5021	3,000
		Purchase 5022	8,000
		Balance c/d	100,200
	<b>120,800</b>		<b>120,800</b>

**Bank Statement**  
**October 2018**

Details	Debit	Credit	Balance
Balance			102,000
Cheque No.10011		6,500	108,500
5019	5,600		102,900
2256		15,000	117,900
5020	4,000		113,900
5021	3,000		110,900
Standing order: Telephone	2,500		108,400
Bank charges	300		108,100

**Required:**

Prepare Bank Reconciliation.

**(Marks 20)**

05. Rich is a sole trader, supplying building materials to local builders. He prepares his financial statements each year for ending 31 July. At 31 July 2018, his trail balance was as follows:

Details	Debit (Rs.)	Credit (Rs.)
Capital		605,926
Purchase and Sales	424,500	925,000
Returns	2,300	1,700
Discounts	1,500	2,500
Inventory of building materials	98,200	
Insurance	12,900	
Distribution Cost	17,000	
Rent	18,000	
Telephone	8,500	
Wages	71,200	
Provision for bad debts at 1 August 2017		1,000
Sundry expenses	3,100	
Delivery vehicle cost	1,125,000	
Delivery vehicle Acc. Depreciation at 1 August 2017		455,824
Equipment cost	50,000	
Equipment Acc. Depreciation at 1 August 2017		18,000
Receivables and Payables	95,000	70,000
Bank current account	112,400	
Bank charges	2,000	
Stationery	13,500	
Prepaid Rent at 1 August 2017	1,650	
Accrued Wages at 1 August 2017		800
Cash in hand	24,000	
	<b>2,080,750</b>	<b>2,080,750</b>

#### Additional information

- i. Closing inventory of building materials 75,300
- ii. At the end of 31<sup>st</sup> July 2018, there was an outstanding invoice stationery Rs.700.
- iii. Accrued telephone Rs. 1,300 at the end of 31<sup>st</sup> July 2018.
- iv. Prepaid Insurance Rs.2,900 the end of 31<sup>st</sup> July 2018

- v. Depreciation is to be provided as follows:
- Reducing balance method for Delivery vehicles 5%.
  - 10 percent on cost for Equipment.
- vi. Provision for bad debts to be made for receivables Rs.1,500

**Required:**

- a. Income Statement for the year ended 31<sup>st</sup> July 2018.
- b. Statement of Financial Position as at 31<sup>st</sup> July 2018.

**(Marks 30)**