

Eastern University, Sri Lanka

Faculty of Commerce and Management

First year Second Semester Examination in Business Administration /

Commerce 2016/2017(January 2019) (Repeat)

DAF 1014 Financial Accounting

Answer All Questions.

Calculators Permitted.

Time Allowed: Three Hours

The trial balance extracted from the books of sole trader, Mr. Gunadasa as at 31.12.2018 is as follows:

The Trial Balance as at 31-12.2018

Items	Debit (Rs.)	Credit (Rs.)
Capital		800,000
Drawing	50,000	
Stock as at 01.01.2018	128,000	
Sales		1500,000
Trade Debtors	125,000	
10% Bank Loan		100,000
Printing and Advertisement	46,000	
Investments	100,000	
Trade Creditors		88,000
Sales Returns	25,000	
Purchases	850,000	
Purchase Returns		20,000
Freight and Carriage	26,000	
Rent and Rates	22,000	
Administrative Salaries and Wages	53,000	
Interest on Bank Loan	5,000	
Income from Investment		6,000
Cash at Bank	80,000	
Discount Received		15,000
Land and Building at cost	500,000	
Furniture and Fittings at cost	120,000	

Motor Vehicles at cost	400,000
Provision for Depreciation on building as at 01.01.2018	
Provision for Depreciation on Furniture & Fittings as at 01.01.2018	
Provision for Depreciation on motor vehicles as at 01.01.2018	
Bad Debt	4,000
Provision for Doubtful Debt as at 01.01.2018	
Audit Fees	15,000
Prepaid Insurance as at 01.01.2018	12,000
Insurance paid	30,000
Electricity and Telephone Payable as at 01.01.2018	
Discount Allowed	18,000
General Expenses	25,000
Travelling Expenses	23,000
Electricity and Telephone paid	24,000
Cash in hand	35,000
	<b>2,716,000</b>

#### Additional Information:

1. Stock as at 31.12.2018: Rs. 170,000
2. Expenses payable as at 31.12.2018:
  - i. Electricity Rs.12,000
  - ii. Rent and Rates Rs. 5,000
  - iii. Interest on bank loan Rs.5,000
3. Insurance prepaid as at 31.12.2018 Rs. 8000
4. Investment income receivable Rs. 6,000
5. The bad debt of Rs 10,000 is to be written off from the trade debtor and a provision for doubtful debt is to be made at 5% on the debtor's balance.
6. The provisions for depreciation for the non-current assets are to be as follows:
  - Land & Building 5% p.a at cost
  - Furniture 10% p.a at reducing balance
  - Motor Vehicle 20% p.a at book value

**Required:**

Prepare for Mr. Gunadasa the Income Statement (Trading and Profit & Loss account) for the year ended 31.12.2018 and the Balance Sheet as at 31.12.2018 in the horizontal format.

**(40 Marks)**

Following is a summary of a trader, Mr. Sumana, bank account for the year ended 31.12.2018.

Particulars	Rs.	Particulars	Rs.
Balance b/d 01.01.2018	14,000	Payments to creditors	200,000
Receipts from debtors	290,000	Administration Expenses	10,000
		Selling and Distribution Expenses	12,000
		Finance Expenses	3,000
		Drawings	65,000
		Furniture	10,000
		Balance c/d 31.12.2018	4,000
	<b>304,000</b>		<b>304,000</b>
Balance b/d	4,000		

The following additional information is also available.

Balances as on	01.01.2018	31.12.2018
	Rs.	Rs.
Stocks in trade	13,000	15,000
Trade Creditors	40,000	30,000
Trade Debtors	25,000	34,000
Prepaid salaries	2,000	2,500
Amount payable	1,500	1,000
Furniture (Book Value)	100,000	100,000

**Required:**

Prepare for Mr. Sumana the Income Statement (Trading and Profit & Loss account) for the year ended 31.12.2018 and the Balance Sheet as at 31.12.2018 in the T-format. (Show your workings clearly).

3. On 31.12.2018 the bank column of cashbook of a trader showed a debit balance of Rs.18,550. The Bank Statement for the same month showed a different balance. On checking the cashbook with the bank statement it was discovered the following were the reasons for the difference.

- (i) Dividend of Rs.2,750 had been directly paid to the bank
- (ii) A direct debit of Rs.3,270 for rent had been paid by the bank.
- (iii) Bank charges Rs.1,650 had not been recorded in the cash book
- (iv) A standing order of Rs.2,380 for loan repayment had been paid to the bank.
- (v) Two cheques drawn in favour of Rajan Rs.2,650 and Mohan Rs.1,900 had been entered in the cashbook but had not been presented for payment.
- (vi) Cheques of Rs.6,900 deposited into the bank were not realized by the bank.

**Required:**

- (i) Update the cashbook
- (ii) Prepare a Bank Reconciliation Statement as at 31.12.2018, starting with the bank balance as per the updated cashbook.

The Trial Balance of a trader, Mr. Srisena, extracted on 31.12.2018 did not agree. Therefore, a suspense account was opened for the difference.

The following errors were subsequently discovered.

- (i) Sales daybook had been under cast by Rs.15,700..
- (ii) Purchase daybook had been under cast by Rs.2,500.
- (iii) Discount received of Rs.3,900 had been posted in error to the debit of the discount allowed account as Rs.9,300.
- (iv) The sale of a motor vehicle at book value of Rs.12,500 had been credited in error to sales account.
- (v) Rent paid Rs.7,200 had been wrongly entered in the rent account as Rs.2,700.
- (vi) The purchase of furniture of Rs.13,200 had been debited in error to purchase account.

**Required:**

- (a) Give the journal entries to correct the errors (as before the preparation of final accounts)
- (b) Draw up the suspense account after the errors have been corrected.

**(15 Marks)**