

EASTERN UNIVERSITY, SRI LANKA
FACULTY OF COMMERCE AND MANAGEMENT

First Year Second Semester Examination in Business Administration /
Commerce 2010/2011 (February 2013) (Proper / Repeat)
DAF 1014 Financial Accounting



Answer All Questions

Calculator Permitted

Time: Three (03) hours

01. The Trial Balance extracted from the books of ABC plc as on 31st of December 2012 is as follows:

Items	Debit	Credit
	Rs.	Rs.
Non Current assets at cost/Provision for Depreciation as at 01.01.2012:		
Land property	3500000	
Motor vehicles	2400000	800000
Furniture and fittings	1500000	500000
Accumulated profit as at 01.01.2012		345000
General Reserve		400000
Value Added Tax	300000	
10% Debentures		1000000
Income tax paid / Provision for the last quarter of year 2011	280000	120000
Debtors / Creditors	800000	427500
Administrative expenses	530000	
Purchases / Sales	6500000	11000000
Other operating income		80000
Returns	500000	200000
Bad debts / Provision for doubtful debt as at 01.01.2012	50000	40000
Stocks as at 01.01.2012	300000	
Stated Capital: 200000 Ordinary shares		2000000
100000 10% Preference shares		1000000
15% Investments / Investment income received	500000	37500
Selling and Distribution expenses	350000	
Preliminary Expenses	65000	
Cash and Bank	375000	
Debenture interest paid	50000	
Furniture disposed		50000
	18000000	18000000

Additional Information:

- i. The net realizable value of stocks as at 31.12.2012 was Rs.350000.
- ii. Administrative expenses include Audit fees Rs.60000 and Director remuneration Rs.120000,
- iii. It should be provided for Employees Provident Fund Rs.40000, and Employee Trust Fund Rs.30000.
- iv. Pre-paid selling and Distribution expenses as at 31.12.2012 Rs.30000.
- v. Administrative expenses payable as at 31.12.2012 Rs.75000
- vi. A bad debt of Rs.60000 is to be written off from the debtor, and a provision for doubtful debt is to be made at 10% on remaining debtors.
- vii. Motor vehicles account includes a motor vehicle purchased on 1st of July 2012 at a cost of Rs.400000.
- viii. Furniture which were purchased at a cost of Rs.80000 and provided depreciation of Rs.40000 were disposed for Rs.50000 in January 2012. The proceeds from the disposal was debited to cash account and credited to furniture disposed account. No other entries were made in this regard.
- ix. Land Property was revalued at Rs.4000000 as at 31.12.2012.
- x. The provisions for depreciation on Non current assets are to be made as follow:

Motor Vehicles	-	20% on straight line basis
Furniture and Fittings	-	10% p.a on reducing balance
- xi. The income tax paid includes the amount of Rs.100000 paid for the last quarter of 2011. The income tax payable for the last quarter of current year (2012) has been estimated at Rs.120000.
- xii. Rs.500000 of 10% debentures were issued on 1st of July 2012.
- xiii. The directors of the company have decided the following:
 - a. To transfer Rs.100000 to General reserve
 - b. To write off 50% of Preliminary Expenses
 - c. To provide 8% dividend to ordinary shareholders and the dividend to Preference shareholders.

Required:

Prepare the following for ABC Plc in the format that can be published for shareholders. (Show the notes and workings clearly).

- i. The Statement of Comprehensive Income for the year ended 31.12.2012
- ii. The Statement of Changes in Equity for the year ended 31.12.2012
- iii. The Statement of Financial Position as at 31.12.2012

(36 Marks)

02. The books of a trader, Mr.Suresh, showed the following information for the year ended 31.12.2012:

Balances as at	01.01.2012	31.12.2012
	Rs.	Rs.
Motor car	200000	-
Furniture	50000	-
Stock	220000	250000
Debtors	?	350000
Bank	30000	191000
Cash	4000	8500
Creditors	234000	1850000

The cash book analysis shows the following figures amongst others:

	Rs.		Rs.
Received from debtors	1350000	Motor upkeep	13500
Discount allowed	14000	Printing & Stationery	8000
Further capital introduced on 1.1.2012	20000	Drawings	66000
Salaries up to 30.11.2012	110000	Payment to creditors	1120000
Office rent up to 30.11.2012	22000	Discount received	12000
Advertising	9000	Travelling Expenses	10000
General Expenses	6000		

Additional Information:

- No ready figures are available for total sales, but, Mr.Suresh maintains a steady gross profit rate of 25% on sales.
- There were bills outstanding for petrol, Rs.2500, and Printing Rs.2500.
- Prepaid Advertisement Rs.3000.
- Provide 5% on debtors for doubtful debt.
- The Motor car and furniture are to be depreciated by 20% and 5% per annum respectively.
- Monthly salaries and monthly office rent are Rs.10000 and Rs.2000, respectively.

Required:

Prepare the following:

- The Trading, and Profit and Loss Account for the year ended 31.12.2012
- The Balance Sheet as at 31.12.2012
(Show the workings clearly)

(20 Marks)

03. Eastern Cricket club gives you the following Receipts and Payments Account for the year ended 31.12.2012:

Receipts	Rs.	Payments	Rs.
Balance as at 1.1.2012 - Cash	1500	Salaries and Wages	120000
- Bank	142000	Sports Equipment	467850
Subscription	611000	Stationery and Printing	12200
Admission fees	3500	Maintenance of grounds	60000
Interest on investment @ 9% p.a	90000	Prizes	10600
		Balances as at 31.12.2012 -Cash	3800
		-Bank	173550
	848000		848000

The following additional information is provided to you:

Balances as at	01-01.2012	31.12.2012
Land and Building (Book Value)	800000	760000
Sports Equipments (Book Value)	218000	297000
Subscriptions due	4800	5600
Subscriptions received in advance	8000	4000

Required:

Prepare the following:

- Income and Expenditure Account for the year ended on 31.12.2012.
- Balance sheet as at 31.12.2012.
(Show the workings clearly)

(20 Marks)

04. On December 31st 2012, the cash book of Mr.Kumara, a trader, showed a bank balance (Debit) Rs.24250. However, the bank statement showed a credit balance of Rs.26950 as on the same date. A detailed comparison of entries revealed the following:

- Customers' Cheques amounting to Rs.4225 had not been collected by the bank as on 31.12.2012.
- Certain Cheques amounting to Rs.4425 had not been presented for payment as on 31.12.2012.
- Bank charges of Rs.500 and interest of Rs.6250 collected by the banker on behalf of the customer appeared only in the Bank statements.

- (d) A wrong credit of Rs.1250 was in the bank statement
- (e) RDL plc, a customer, had paid into bank directly a sum of Rs.1500 on 29.12.2012. This had not been recorded in the cash book.
- (f) A cheque for Rs.1000 received from VSL plc, a customer, and deposited into bank had been returned unpaid. The dishonor of this cheque has not been entered in the cash book.

Required:

- (i) Make the appropriate adjustments in the cash book, and
- (ii) Prepare a statement reconciling it with the bank Statement

(12 Marks)

05. The Trial Balance of MSV plc as on 31.12.2012 did not balance. The difference was transferred to the suspense account, and the accountant proceeded with preparation of final account. After completion of final accounts, the following errors were discovered:

- (a) Total of sales figure was taken as Rs.587000 instead of Rs.578000.
- (b) A discount of Rs.5500 allowed to a debtor was not recorded in the discount allowed account.
- (c) The total of purchase returns day book was under cast by Rs.4000.
- (d) Sale of used furniture was Rs.13000 was wrongly entered in sales account.
- (e) A credit purchase for Rs.5300 made from a creditor was recorded in the Purchase Day Book, but was omitted in creditor account.
- (f) Rs.32000 received from Mr.S.Vasanth was posted to the credit of Mr.K.Vasanth Account.
- (g) A credit sale made to Mr.Lavan for Rs.25000 was recorded twice in his account.
- (h) Wages of Rs.5250 paid were not debited in wages account

Required:

- (I) Pass journal entries as on 31-12-2012 to rectify the following errors committed during the year ended 31-12-2012.
- (II) Prepare the Suspense Account
- (III) Prepare the Profit and Loss Adjustment account

(12 Marks)