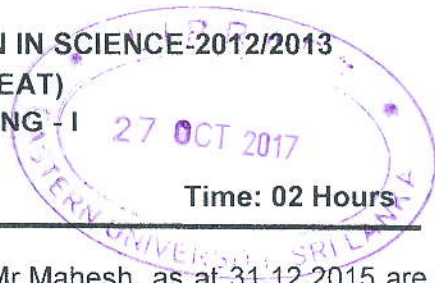


EASTERN UNIVERSITY SRI LANKA
FACULTY OF SCIENCE

SECOND YEAR FIRST SEMESTER EXAMINATION IN SCIENCE-2012/2013
(MARCH 2016) (PROPER/REPEAT)
OC 204 FINANCIAL ACCOUNTING - I



Answer all questions

Use of programmable Calculator permitted

Time: 02 Hours

The trial balance extracted from the books of sole trader, Mr. Mahesh, as at 31.12.2015 are as follows:

Items	Debit (Rs.)	Credit (Rs.)
Non-Current Assets		
Land & Building	400,000	
Furniture & Fittings	100,000	
Motor vehicles	300,000	
Equipment	80,000	
Provision for Depreciation as at 01.01.2015		
Land & Building		40,000
Furniture & Fittings		20,000
Motor vehicles		100,000
Equipment		15,000
Capital		530,000
Drawing	48,000	
15% Bank loan		100,000
Interest from bank loan	7,500	
Rent & Rates	22,000	
Electricity	24,800	
Stationery	20,700	
Sales man's salary	54,000	
Office salary	24,000	
Vehicle Insurance	28,000	
Sales Commission	24,000	
Advertisement	49,000	
Bad debt	5,000	
Discount allowed / Discount received	10,000	8,000
Carriage outwards	28,000	
Carriage inwards	20,000	
Purchase Return / Sales Return	50,000	40,000
Purchases / Sales	950,000	1600,000
Cash & Bank	35,000	
Provision for doubtful debts as at 01.01.2015		4,000
Debtors /Creditors	60,000	73,000
Stock as at 01.01.2015	140,000	
10% Investment	50,000	
	2530,000	2530,000

Additional Information:

1. Stock as at 31.12.2015: Rs. 160000
2. Expenses payable as at 31.12.2015: Electricity Rs.4500; Rent and Rates Rs.6000; Interest on bank loan Rs.7500.

3. Advertisements prepaid Rs. 4000
4. Investment income receivable Rs. 5000
5. The bad debt of Rs 5000 is to be written off from the debtors balance and a provision for doubtful debt is to be made at 10% on the remaining debtor's balance.
6. The provisions for depreciation for the non-current assets are to be made as follows:
 - Land & Building 5% p.a (at cost)
 - Furniture 10% p.a (at cost)
 - Motor vehicle 20% p.a (at reducing balance)
 - Equipment 15% p.a (at reducing balance)

Required:

Prepare the Trading and Profit & Loss account and the Balance Sheet for the year ended 31.12.2015.

(60 Marks)

2. On 31st January 2016, the Bank column of Cash book showed a debit balance of Rs.10,550. On examination of the cash book & the pass book, following points were noted.
 - (i) Cheques issued but not presented for payment up to 31st January 2016 amounted to Rs.5,200.
 - (ii) There was a debit of Rs.400 in the pass book for locker's rent.
 - (iii) Cheques deposited but not cleared up to 31st January 2016 amounted to Rs. 3,800.
 - (iv) Insurance premium of Rs.1, 500 were directly paid by the Bank.
 - (v) Interest on deposits Rs.1, 200 was directly credited in the bank.
 - (vi) A cheque of Rs.4,000 was deposited directly in the bank by the customer.

Required:

Prepare a Bank Reconciliation Statement & find out the bank balance as per pass book on 31st January 2016.

(20 Marks)

3. The Trial Balance of Kumar, a trader, extracted on 30.06.2015 did not agree. A suspense account was opened for the difference.

The following errors were subsequently discovered.

- (i) Sales daybook had been under cast by Rs.10000.
- (ii) Purchase daybook had been under cast by Rs.1000.
- (iii) Discount received of Rs.3200 had been posted in error to the debit of the discount allowed account as Rs.2300.
- (iv) The sale of a motor vehicle at book value of Rs.15000 had been credited in error to sales account.
- (v) Rent paid Rs.6900 had been wrongly entered in the rent account as Rs.9600.
- (vi) The purchase of furniture of Rs.10000 had been debited in error to purchase account.

Required:

- (a) Give the journal entries to correct the errors
- (b) Draw up the suspense account after the errors have been corrected.

(20 Marks)