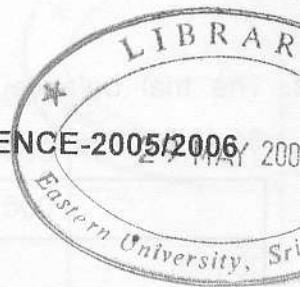


EASTERN UNIVERSITY, SRI LANKA

SECOND YEAR/ SECOND SEMESTER EXAMINATION IN SCIENCE-2005/2006

(MARCH 2008) (PROPER / REPEAT)

OC 204 - FINANCIAL ACCOUNTING- I



Answer All Questions

Time: 02 Hours

Calculator Permitted

Ms. Susila is a sole trader who runs a business in her home town. For the month of January 2008 she made the following business transactions in cash with the opening balance in cash account Rs. 50,000:

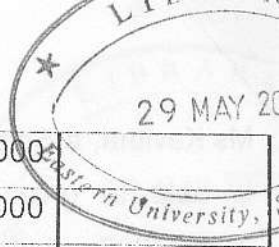
- January 1 Put an additional capital of Rs. 100,000 to the business
- 3 Purchased furniture and equipment for Rs. 40,000
- 5 Purchased goods for trading for Rs. 50,000
- 8 Paid carriage inwards Rs. 10,000
- 10 Sold goods for Rs. 30,000
- 13 Purchased goods for trading for Rs. 40,000
- 15 Sold goods for Rs. 24,000
- 17 Paid delivery charge Rs. 4,000
- 20 Paid salaries Rs. 10,000 to salesmen
- 23 Paid rent Rs. 10,000
- 25 Sold goods for Rs. 30,000
- 30 Received investment income Rs. 1,000.
- 31 Drawn Rs. 20,000 from the business for personal use

Required : Record the above transactions in the Cash book

(15 marks)

2. The trial balance extracted from the books of a sole trader, Mr. Johnson, as at 31.12.2007 is as follows

Items	Debit	Credit
	Rs.	Rs.
Fixed assets: Land & Building	400000	
Furniture & Fittings	100000	
Motor vehicles	300000	
Equipment	80000	
Provision for depreciation as at 1.1.2007:		
Land & Building		40000
Furniture & Fittings		20000
Motor vehicles		100000
Equipment		15000
8% investment	50000	
Stocks as at 1.1.2007	130000	
Debtors / Creditors	60000	55000
Provision for doubtful debt as at 1.1.2007		4000
Cash and bank	44500	
Purchases / Sales	850000	1500000
Sales return / Purchase return	40000	30000
Carriage inwards	20000	
Carriage outwards	30000	
Discount allowed / Discount received	9000	4000
Investment income received		2000
Bad debt	4000	
Advertisement	50000	
Packaging expenses	24000	
Motor vehicle maintenance	28000	
Office salaries	24000	
Salesman salaries	44000	
Stationery	3000	



Electricity	24000	
Insurance, rent & rates	20000	
Interest on bank loan	7500	
15% Bank loan		100000
Drawings	48000	
Capital		520000
	2390000	2390000

Additional information:

- (i) Stocks as at 31.12.2007 are Rs.120000
- (ii) Expenses payable as at 31.12.2007 are
 - Electricity Rs.2000
 - Rent & rates Rs.5000
 - Interest on Bank loan Rs.7500
- (iii) Advertisement prepaid Rs.10000
- Investment income receivable Rs.2000
- (iv) A bad debt of Rs.10000 is to be written off from the debtors' balance and a provision for doubtful debt is to be made at 10% on the balance thereafter.
- (v) The provisions for depreciation on fixed assets are to be made as follows
 - Land and buildings 5% per annum at cost
 - Furniture and fittings 10% per annum at cost
 - Motor vehicle 20 % per annum at reducing balance
 - Equipment 10 % per annum at reducing balance

Required:

Prepare the Trading, and Profit and Loss account for the year ended 31.12.2007, and the Balance Sheet as at that date.

(40 Marks)

3. Ms. Kavitha, a Sole Trader, did not keep her books of accounts properly. However, she is able to give the following financial information for her financial year ended 31.12.2007.

The summary of her cash transaction during the year.

	Rs.
Cash Purchase	75,000
Paid to creditors	150,000
Paid salaries	20,000
Paid selling expenses	12,000
Paid rent & rates	3,500
Paid electricity	8,500
Cash sales	120,000
Received from Debtors	200,000
Purchased furniture	25,000

Other balances:

	01.01.2007 Rs.	31.12.2007 Rs.
Land & Buildings	200,000	190,000
Furniture	60,000	80,000
Stock	30,000	25,000
Debtors	20,000	30,000
Creditors	15,000	10,000
Electricity payable	2,500	2,000
Cash in hand	5,000	6,000

Other information:

- I. Ms. Kavitha said she has drawn some cash from the business for her personal use during the year.
- II. No fixed assets were disposed during the year



Required:

Prepare the following for Ms. Kavitha.

- a) Cash account.
- b) The trading and Profit & Loss Account for the year ended 31.12.2007.
- c) The Balance sheet as at 31.12.2007. (Show your workings clearly)

(30 marks)

4. The bank balance as per the cash book of a trader as at 31.12.2007 was Rs.5500. But his bank statement for the month showed a different balance as at that date. On scrutiny he found the following discrepancies.

- a) The cheques issued to the following creditors were not presented by them in the bank for payment: Diana Rs.7500 ; Jeja Rs. 3500; Nalini Rs.4000
- b) The cheques received from the following debtors and deposited in the Bank, but it has yet not realized them: Sithra Rs.6300; Rajee Rs.9500; Nisha Rs.1800.
- c) Bank paid a standing order of Rs.2000 for insurance.
- d) Investment income of Rs.1500 was realized by the bank directly.
- e) A cheque of Rs.3000 was deposited directly in the bank by a customer.
- f) Bank chargers of Rs.1200 were not recorded in the cash book.

Required:

Prepare the Bank Reconciliation Statement as at 31st December 2007 starting bank balance as cash book

(15 marks)