

EASTERN UNIVERSITY, SRI LANKA

FACULTY OF COMMERCE AND MANAGEMENT

SECOND YEAR/ FIRST SEMESTER EXAMINATION IN BUSINESS ADMINISTRATION/

COMMERCE/ ECONOMICS (PROPER/ REPEAT)

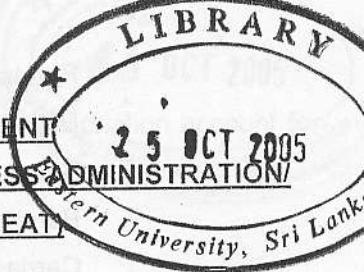
2003/ 2004 (NOV./ DEC. 2004)

COM 2063 BOOK KEEPING & ACCOUNTING

Time : 03 Hours

Answer all Questions.

Non programmable calculator permitted



01. Raja and Kumar are carrying on a retail business in partnership. The partnership agreement provides the following;

- i. Profit sharing ratio should be 3 : 2 respectively.
- ii. Interest to be charged at 5% per annum on the balances of their capital accounts at commencement of the year.
- iii. No interest to be charged on drawings.
- iv. Interest to be charged at 10% on partners loan.
- v. The partners are to be credited at the end of each year with salaries of Rs. 10,000 to Raja and Rs. 4,000 to Kumar.

The following was the partnership trial balance as on 31<sup>st</sup> December 2003.

	Rs.	Rs.
Partner's capital A/C (01.01.2003)		
Raja		85,000
Kumar		60,000
Partners current A/C (01.01.2003)		
Raja		20,000
Kumar		16,000
Sales		520,350
Creditors		25,000
Building at cost	360,000	
Motor vehicle at cost	240,000	
Provision for depreciation on 01.01.2003		
Buildings		120,000
Motor vehicle		80,000

Purchases	175,000	
Discount	900	45
Sales return	2,000	
Purchase return		4,50
Carriage inwards	2,500	
Carriage outwards	1,600	
10% Loan – Kumar		25,00
Stock in hand on 01.01.2003	32,000	
Salaries and wages (including partners' drawings)	54,000	
Office expenses	6,500	
Rent and Rates	7,800	
Telephone charges	3,200	
Provision for doubtful Debt on 01.01.2003		70
Balance at bank	16,700	
Drawings (other than monthly payments)		
Raja	20,000	
Kumar	17,000	
Debtors	17,800	
	<u>957,000</u>	<u>957,000</u>

You are given the following additional information.

1. Stock on December 31<sup>st</sup> 2003 was valued at cost Rs. 36,000/-.
2. Debt of Rs. 800/- is to be written off and provision against the remaining debt should be 5%.
3. Salaries and wages include the following monthly drawings by the partners Raja Rs. 600 and Kumar Rs. 400/-.
4. During the year ended 30<sup>th</sup> September 2003, Kumar has taken goods costing Rs. 1,000/- for his own uses.
5. Depreciation on buildings is to be provided at 5% per annum on cost. Depreciation for Motor vehicle is to be charged at the rate of 15% in reducing balance method.
6. Outstanding accounts not entered in the books were office expenses Rs. 450, and rent & rates Rs. 250/-.
7. Prepaid expenses for telephone charges is 270.



You are required to prepare :

- a. Trading and profit and loss account and profit and loss appropriation account for the year ended 31 December 2003.
- b. Balance sheet as on that date and the,
- c. Partners' current account in columnar form.

(40 marks)

02. The following is a summary of the Receipts and Payments of the Rotaract Club during the year ended 31 July 2004.

**Rotaract Club**  
**Receipts and Payments Account for the year ended 31 July 2004.**

	Rs.		Rs.
Cash and Bank balances b/d	21,000	Secretarial expenses	16,300
Sales of competition tickets	43,700	Rent	140,200
Members' subscriptions	198,700	Visiting speaker's expenses	127,500
Donations	17,700	Donations to charities	3,500
Balance c/d	51,300	Prizes for competitions	27,000
		Stationery and printing	17,900
	<b>332,400</b>		<b>332,400</b>

The following valuations are also available as at 31<sup>st</sup> July

	2003	2004
	Rs.	Rs.
Equipment (cost Rs. 142,000)	97,500	78,000
Subscriptions in arrears	6,500	8,500
Subscriptions in advance	1,000	3,700
Owing to suppliers of competition prizes	5,800	6,800
Stocks of competition prizes	3,800	4,600

**Required :**

- a. Calculate the value of the accumulated fund of the Rotaract Club as at 01 August 2003.
- b. Reconstruct the following accounts for the year ended 31 July 2004 :
  - i. the subscriptions account
  - ii. the competitions prizes account.
- c. Prepare an Income and Expenditure account for the year ended 31 July 2004 and a balance sheet as at that date.

(20 marks)

03. The following are extracts from the cashbook and the bank statement of Mr. Ravi.

Cash book (Bank columns only)

Date	Particulars	Amount (Rs)	Date	Particulars	Amount (Rs)
2004			2004		
Nov. 01	Balance b/d	17,400	Nov. 08	Rajeev	3,490
07	Ragu	880	15	Rathan	330
22	Ranjan	730	28	Ragel	1,110
30	Rangan	2,490	30	Balance c/d	18,300
30	Rajan	1,780			
		23,280			23,280

Bank statement for the month of November, 2004.

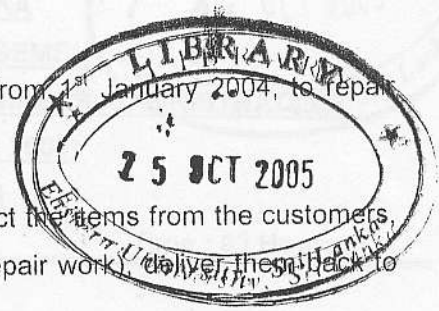
Date	Particulars	Debit (Rs)	Credit (Rs)	Balance (Rs)
2004 November 01	Balance b/d	-	-	17,400
07	Cheque	-	880	18,280
11	Rajeev	3,490	-	14,790
20	Rathan	330	-	14,460
22	Cheque	-	730	15,190
30	Credit transfer : Ranil	-	540	15,730
30	Bank charges	220	-	15,510

You are required to :

- Bring the cash book up to date, and state the new balance as on 30 November 2004, and
- Draw up a bank reconciliation statement as on 30 November 2004.

(20 marks)

04. Harri and Jeya entered into a joint venture, effective from 1<sup>st</sup> January 2004, to repair television sets and audio equipment.



It was agreed that Harri should secure the orders, collect the items from the customers, transport them to Jeya (who would then carry out the repair work), deliver them back to the customers and collect the cash.

Each party was to charge his expenses against the joint venture and profit and losses were to be shared Harri 2/5 Jeya 3/5, settlement to be made quarterly. In arriving at profit and loss, work – in – progress was to be disregarded.

During the first quarter of 2004, the following transactions arose :

Harri assisted in financing Jeya by sending him a cheque for Rs. 60,000.

Jeya bought a stock of spares, components and other materials for Rs. 70,000 of which Rs. 40,000 worth were still in stock at 31<sup>st</sup> March 2004.

Harri placed advertisements in local newspapers at a cost of Rs. 10,000, and collected cash from customers amounting to Rs. 490,000.

Wages paid to part-time staff by Jeya totalled Rs. 195,000 and by Harri, Rs. 55,000.

An allowance of Rs. 50,000 was made to Harri for vehicle running expenses and Rs. 20,000 to each party for use of their general services.

**Required :**

Prepare the joint venture accounts in the books of each partner, together with the (memorandum) joint venture account, for the quarter ended 31<sup>st</sup> March 2004.

**(20 marks)**