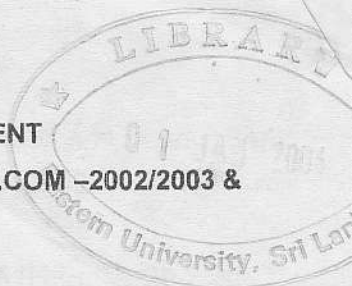


**EASTERN UNIVERSITY, SRILANKA**  
**FACULTY OF COMMERCE & MANAGEMENT**  
**FIRST YEAR/FIRST SEMESTER EXAMINATION IN BBA/B.COM –2002/2003 &**  
**2002/2003 (A) (JUNE/JULY 2003)**  
**COM1013 FINANCIAL ACCOUNTING**



Answer All Questions

Time : 03 Hours

Non-Programmable Calculator Permitted.

01. (i) (a) Define Financial Accounting?

(b) List out the Prime Entry Books?

(4 marks)

(ii) Describe the daily transactions which affected the following accounting equation for a week in a Business concern.

Equity + Bank loan + Creditors += Fixed Assets + Stock + Debtors + Cash

| Day | Rs.     | Rs.    | Rs.    | Rs.     | Rs.    | Rs.    | Rs.    |
|-----|---------|--------|--------|---------|--------|--------|--------|
| 0-  | 100,000 | 50,000 | 25,000 | 100,000 | 30,000 | 20,000 | 25,000 |
| 1-  | 100,000 | 50,000 | 40,000 | 100,000 | 45,000 | 20,000 | 25,000 |
| 2-  | 100,000 | 50,000 | 40,000 | 100,000 | 45,000 | 10,000 | 35,000 |
| 3-  | 110,000 | 50,000 | 40,000 | 100,000 | 20,000 | 30,000 | 50,000 |
| 4-  | 115,000 | 40,000 | 20,000 | 100,000 | 10,000 | 45,000 | 20,000 |
| 5-  | 110,000 | 40,000 | 30,000 | 100,000 | 20,000 | 35,000 | 25,000 |

(5 Marks)

(iii) M owned certain patent rights. He granted a license to N to use such rights on royalty basis. The following are the relevant particulars:

| Years                 | 1 <sup>st</sup> | 2 <sup>nd</sup> | 3 <sup>rd</sup> | 4 <sup>th</sup> (strike) | 5 <sup>th</sup> |
|-----------------------|-----------------|-----------------|-----------------|--------------------------|-----------------|
| Actual Royalties (Rs) | 5,000           | 10,000          | 8,000           | 8,000                    | 14,000          |
| Minimum Rent (Rs)     | 8,000           | 9,000           | 10,000          | 12,000                   | 13,000          |

The deficiency of any year is to be set off against royalties payable in excess of the minimum rent in two following years. In the event of a strike and the minimum rent not being realized, it was provided that the actual royalties earned for the year would be the full royalty obligation for the year.

You are required to prepare the following accounts in the books of N.

- I. Royalty Payable Account
- II. M Account
- III. Short workings Account.

(7 Marks)

(iv) Sri maintains his books by Single Entry system. His position on Jan 1, 2002, was as follows;

|                  | Rs.  |
|------------------|------|
| Cash at Bank     | 6500 |
| Cash in hand     | 750  |
| Stock            | 8500 |
| Sundry Debtors   | 7600 |
| Equipments       | 9000 |
| Advance payments | 5000 |
| Creditors        | 2000 |
| Short term loan  | 4000 |

On December 31, 2002, his position was as follows;

|                | Rs.  |
|----------------|------|
| Cash at Bank   | 4800 |
| Cash in hand   | 900  |
| Stock          | 8200 |
| Sundry Debtors | 6400 |
| Equipments     | 9000 |
| Investments    | 5000 |
| Creditors      | 3200 |

During the year Sri introduced further capital of Rs.3000 and his drawings were Rs.800 per month.

Depreciate equipments by 10% and make a provision for Bad & doubtful debts @ 2%.

From the above information, prepare a statement showing the profit or loss made by him for the year ended December 31, 2002.

(7 marks)

- (v) The following are the Bank Reconciliation Statement and Bank Statement of "Dana & Co Ltd".

Bank Reconciliation Statement for the months ended on 31.1.2003, 28.2.2003.

|                                  | 31.1.2003     | 28.2.2003    |
|----------------------------------|---------------|--------------|
|                                  | Rs            | Rs           |
| Balance as per Bank Statement    | (5200)        | 8600         |
| Plus: Uncollected cheques        | 25000         | 8500         |
| Standing orders                  | 1800          | 1700         |
| Subscription                     | 1300          | 750          |
| Overdraft interest               | 600           | -            |
|                                  | <u>23500</u>  | <u>19550</u> |
| Minus: Un presented cheques      | 17000         | 6000         |
| Dividend                         | 1800          | 600          |
| Dishonoured cheques              | 3000          | -            |
| Direct deposits                  | 2500          | -            |
| Credit side overcast (cash Book) | 400           | -            |
| Balance as per Cash book         | <u>(2200)</u> | <u>12950</u> |

Bank Statement for the month of February

| Particulars             | Debit  | Credit | Balance     |
|-------------------------|--------|--------|-------------|
| Balance as at 1.2.2003  |        |        | (5200)      |
| Deposits                |        | 250000 | 244800      |
| Drawings                | 236200 |        | 8600        |
| Balance as at 28.2.2003 |        |        | <u>8600</u> |

Required:

Prepare the Cash book for the month of February 2003.

(7marks)

(Total 30 marks)





4. The closing stock was valued at historical cost at 31.03.2003 but Rs.50 cost of stock can be sold at Rs.30 000 and the selling cost is 10%.
5. On 01.10.2002 company redeemed 10000 preference shares at 10% premium. The preference shares redemption account includes dividend due up to redemption date. There were no entries regarding the transaction.
6. The directors require to keep the general reserves at a maximum.

**You are required to prepare the following for publication purpose :**

1. The income statement of John Keels Ltd for the year ended 31 March 2003.
2. The balance sheet as at 31 March 2003.
3. The statement of changes in equity for the year ended 31, March 2003.
4. Notes to the financial statements for the relevant activities.

(25 marks)

03. A, B, C, D and E are partners of a firm sharing profit and losses in the ratio of 3:2:2:2:1. Their balance sheet as at December 31, 2002 was as follows.

| Liabilities      | (Rs.)           | Assets                 | (Rs.)           |
|------------------|-----------------|------------------------|-----------------|
| Sundry Creditors | 100,000         | Fixed & current Assets | 1,75,000        |
| Capital A/C A    | 50,000          | Capital A/Cs. C        | 10,000          |
| B                | 30,000          | E                      | 5,000           |
| D                | 20,000          | Profit & loss A/C      | 10,000          |
|                  | <b>2,00,000</b> |                        | <b>2,00,000</b> |

The firm was dissolved on the above date. The assets realized were as follows.

|                                     |           |
|-------------------------------------|-----------|
| 1 <sup>st</sup> Realization         | Rs.51,000 |
| 2 <sup>nd</sup> Realization         | Rs.67,500 |
| 3 <sup>rd</sup> Realization         | Rs.24,000 |
| 4 <sup>th</sup> & Final Realization | Rs.14,000 |

The liquidation expenses of Rs.5000 was paid on 1<sup>st</sup> realization. Sundry creditors were paid with 10% - discount in full satisfaction of their claim.

**Required :**

Prepare a statement showing the distribution of cash.

(15 marks)

- 04.(a) I. Explain the distinguishing features between Departmental Accounts and Branch Accounts.
- II. How are the following indirect expenses distributed amongst different departments?

- (i) Rent                      (ii) Lighting                      (iii) Depreciation                      (iv) Discount received  
(v) Carriage outwards

- (b) Gana Ltd has 3 departments X,Y,Z. From the following particulars prepare Departmental Trading Account for the year ended 31<sup>st</sup> March,2003.

|                | X (Rs)   | Y(Rs)    | Z(Rs)     |
|----------------|----------|----------|-----------|
| Opening stock: | 75,780   | 48,000   | 40,000    |
| Purchases:     | 2,81,400 | 1,61,200 | 88,800    |
| Sales:         | 3,60,000 | 2,70,000 | 1,80,000. |
| Closing stock: | 90,160   | 34,960   | 43,180    |

General expenses;

Salaries and wages 96,000; Advertising – Rs.4,500; Rent-Rs.21,600; Discount allowed-Rs.2,700; Discount received – Rs.1,600; Sundry expenses-Rs.24,300; Depreciation on furniture & fittings - Rs.1,500.

Goods having a transfer price of Rs.21,400 and Rs.1,200 were transferred from Departments X and Y respectively to Department Z. The interdepartmental transfers are transferred at a margin of 25% above departmental cost.

The various items shall be apportioned amongst the three departments in the following proportions:

|                   | Dept. X | Dept. Y | Dept. Z |
|-------------------|---------|---------|---------|
| Rent              | 2       | 2       | 5       |
| Salaries          | 1       | 1       | 1       |
| Depreciation      | 1       | 1       | 1       |
| Discounts allowed | 8       | 5       | 3       |

All the other expenses.[ On the basis of the sales (excluding inter-departmental transfers) of each dept.]

The opening stock of Department Z does not include any goods transferred from other departments, but the closing stock includes Rs. 17,100 valued at the inter-departmental transfer prices.

**(Total 15 Marks)**



05. (a) What are the main classes of branch accounts?

(b) Singer Co. with its head office in Colombo, invoiced goods to its branch at Kattankudy, at 20% less than the catalogue price which is cost plus 50% with instructions that cash sales were to be made at invoice price and credit sales at catalogue price. From the following particulars available from the branch, prepare the Branch Trading and Profit and Loss Account for the year ended 31<sup>st</sup> March, 2003 in the head office books, so as to show the actual profit or loss of the branch for the year 2002-2003:

|   | Rs.      |
|---|----------|
| Stock on 1.4.2002 (invoice price)       | 12,000   |
| Goods received from H.O (invoice price) | 1,32,000 |
| Debtors on 1.4.2002                     | 10,000   |
| Sales (cash)                            | 46,000   |
| Sales(credit)                           | 1,00,000 |
| Cash realized from debtors              | 85,635   |
| Discount allowed to debtors             | 13,365   |
| Expenses at the branch                  | 6,000    |
| Remittances to Head Office              | 1,20,000 |
| Debtors on 31.3.2003                    | 11,000   |
| Cash in hand on 31.3.2003               | 5,635    |
| Stock on 31.3.2002(invoice price)       | 15,000   |

It was reported that a part of stock at the branch was lost by fire during the year, the value of which is to be ascertained.

**(Total 15 Marks)**