

EASTERN UNIVERSITY, SRI LANKA

FACULTY OF SCIENCE

EXTERNAL DEGREE PROGRAMME IN SCIENCE

SECOND EXAMINATION IN SCIENCE 1996 /1997(JUNE/JULY 2004)

EXCC 205 Financial Accounting

Answer all questions

Time: 02 Hours

Non Programmable Calculator permitted

01. The business transactions of a sole trader, Mr.Ramachandran, for the month of January 2004 are given below.

January

- 1 Started business with a capital of Rs. 300000 in cash.
- 2 Opened a current account in the People's Bank, Batticaloa, depositing Rs.100000 cash.
- 3 Purchased furniture and equipment for Rs.30000 by cash.
- 4 Purchased goods for trading for Rs.40000 by cash
- 5 Paid carriage inwards Rs.1000 by cheque
- 6 Sold goods for Rs.35000 by cash.
- 7 Purchased goods for trading for Rs.40000 paying Rs.25000 by cash and Rs.15000 by cheque.
- 9 Purchased goods for trading on credit from Mohan Stores Rs.20000 and from Kumaran Stores Rs.30000.
- 11 Sold goods for Rs.20000 by cash.
- 13 Sold goods on credit to Nesan Rs.13000 and to Thasan Rs.15000
- 15 Paid delivery charge Rs.2000 by cheque
- 17 Returned goods to Mohan stores Rs.1000 and to Kumaran Stores Rs.2000
- 19 Paid salaries Rs.15000 to salesman by cash
- 20 Returned goods from Nesan.Rs.400 and from Thasan Rs.1000
- 22 Paid Mohan stores Rs.9000 by cheque to settle its account of Rs.10000 receiving a cash discount of Rs.1000.

- 23 Received from Nesan Rs.8400 by cheque to settle his account of Rs.9000 allowing him a cash discount of Rs.600
- 24 Paid Kumaran Store Rs.19000 by cheque to settle a part of its account receiving a cash discount of 5% on due.
- 25 Received from Thasan Rs.9500 by cash to settle a part of his account allowing him a cash discount of 5% on his due. The cheque received from Nathan was banked.
- 26 Withdrawn Rs.2000 from bank to meet Sundry expenses in business.
- 28 Paid rent Rs.15000 by cheque
- 29 Sold goods for Rs.28000 by cash
- 30 Withdrawn Rs.5000 from bank to meet a personal expense.
- 31 Bank charge Rs.1500

Required:

Record the above transactions in the subsidiary books, post them into ledgers, balance off the accounts, and prepare a trial balance as at 31.1.2004.

(50 marks)

02. The trial balance extracted from the books of a sole trader, Mr. Yoganathan, as at 31.12.2003 is as follows

Items	Debit	Credit
	Rs.	Rs.
Fixed assets (at cost): -Land & Building	400000	
- Furniture & Fittings	100000	
- Motor vehicles	300000	
- Equipment	80000	
Provision for depreciation as at 1.1.2003:		
- Land & Building		40000
- Furniture & Fittings		20000
- Motor vehicles		108000
- Equipment		15200

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10% investment	50000	
Stocks as at 1.1.2003	130000	
Debtors	60000	
Creditors		56000
Provision for doubtful debt as at 1.1.2003		4000
Cash and bank	44000	
Sales		1500000
Purchases	850000	
Sales return	40000	
Purchase return		30000
Carriage inwards	21000	
Carriage outwards	37000	
Discount allowed	9000	
Discount received		6800
Bad debt	4000	
Advertisement	50000	
Sales commission paid	24000	
Motor vehicle maintenance	28000	
Office salaries	24000	
Salesman salaries	44000	
Stationery	3600	
Electricity	24900	
Insurance, rent & rates	21000	
Interest on bank loan	7500	
15% Bank loan		100000
Drawings	48000	
Capital		520000
	2400000	2400000

Additional information :

(i) Stocks as at 31.12.2003 : Rs.150000

(ii) Expenses payable as at 31.12.2003 :

Electricity Rs.1900

Rent & rates Rs.6000

Interest on Bank loan Rs.7500

(iii) Advertisement prepaid: Rs.6000

Investment income receivable: Rs.5000

(iv) A bad debt of Rs.4000 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 31.12.2003, and the Balance Sheet as at that date.

(50 marks)