

**EASTERN UNIVERSITY, SRI LANKA**

**FACULTY OF COMMERCE AND MANAGEMENT**

**FIRST YEAR - FIRST SEMESTER EXAMINATION IN BACHELOR OF BUSINESS**

**ADMINISTRATION HONOURS / BACHELOR OF COMMERCE HONOURS 2018/ 2019**

**(JANUARY/ FEBRUARY 2022)**

**(PROPER/ REPEAT)**

**DAF 1012 FINANCIAL ACCOUNTING**

**Answer all questions**

**Time: 02 Hours**

**Calculator is permitted**

**01. The Trial Balance of Sun (Pvt) Ltd. as at 31<sup>st</sup> March 2021 is as follows:**

| <b>Particular</b>                                 | <b>Dr. (Rs.'000)</b> | <b>Cr. (Rs.'000)</b> |
|---|----------------------|----------------------|
| Stated Capital (2,000,000 Ordinary Shares)        |                      | 108,000              |
| Retained Earnings as at 01.04.2020                |                      | 45,600               |
| General Reserve as at 01.04.2020                  |                      | 20,000               |
| 10% Debentures                                    |                      | 20,000               |
| Land and Buildings at cost (Land - Rs.40 million) | 100,000              |                      |
| Motor Vehicles at cost                            | 75,000               |                      |
| Plant and Equipment at cost                       | 120,000              |                      |
| Accumulated Depreciation as at 01.04.2020:        |                      |                      |
| Buildings   |                      | 32,000               |
| Motor Vehicles                                    |                      | 30,000               |
| Plant and Equipment                               |                      | 48,000               |
| Allowance for Trade Receivables as at 01.04.2020  |                      | 5,080                |
| Inventory as at 31.03.2021                        | 54,900               |                      |
| Trade Receivables                                 | 84,300               |                      |
| Cash in hand and at bank                          | 15,230               |                      |
| Trade Payables                                    |                      | 8,000                |
| Sales   |                      | 919,500              |
| Cost of Sales                                     | 648,300              |                      |
| Travelling and Transport                          | 15,400               |                      |
| Advertisement                                     | 10,600               |                      |
| Sales Commission                                  | 7,600                |                      |
| Salaries and Wages                                | 56,000               |                      |

|   |                  |                  |
|---|------------------|------------------|
| Printing and Stationery                   | 2,400            |                  |
| Electricity and Water                     | 8,600            |                  |
| Telephone Charges                         | 3,800            |                  |
| Bank Charges                              | 250              |                  |
| Repair and Maintenance                    | 2,400            |                  |
| Insurance Expenses                        | 3,600            |                  |
| Debenture Interest                        | 1,000            |                  |
| Interim Dividends Paid to Ordinary Shares | 27,500           |                  |
| Income Tax Provision as at 01.04.2020     |                  | 16,000           |
| Income Tax Paid                           | 15,300           |                  |
|   | <b>1,252,180</b> | <b>1,252,180</b> |

The following additional information is also provided:

1. Closing inventory as at 31<sup>st</sup> March 2021 was counted and valued at its cost. Part of the inventory included in the closing stock which was bought for Rs.4,900,000/- had become obsolete and is expected to be sold at Rs.4,200,000/- in April 2021. However, this was not adjusted in the books of account.
2. One of its customers who owed Rs.2,300,000/- to the business was declared bankrupt on 20<sup>th</sup> April 2021. Following a final review of the trade receivables, it was decided to maintain an allowance for the trade receivables at 10% on balance trade receivables as at 31<sup>st</sup> March 2021.
3. The following accrued and prepaid expenses are to be accounted for as at 31<sup>st</sup> March 2021.

|                                |         |
|--------------------------------|---------|
|                                | Rs.     |
| Accrued Electricity            | 100,000 |
| Prepaid Repair and Maintenance | 200,000 |

4. Property, Plant and Equipment (PPE) are to be depreciated on the straight-line basis at cost and the useful life of Property, Plant and Equipment is as follows:

|                     |          |
|---------------------|----------|
| Buildings           | 20 years |
| Motor Vehicles      | 10 years |
| Plant and Equipment | 15 years |
5. The final income tax liability for the year of assessment 2019/20 was Rs.15,300,000/- which was paid during the current year. The total income tax liability for the year of assessment 2020/21 is estimated to be Rs.11,500,000/-.
6. On 01<sup>st</sup> April 2020, the company issued 20,000 numbers of 10% debentures at

its par value of Rs.1,000/- each. Interest is to be paid bi-annually and the interest paid during the period have been charged to the debenture interest account.

7. On 31<sup>st</sup> March 2021, the Board of Directors has decided to transfer Rs.10,000,000/- from Retained Earnings to General Reserve.
8. The Board of Directors approved to issue the financial statements for the year-ended 31<sup>st</sup> March 2021 on 31<sup>st</sup> July 2021.

**Required:**

Prepare the following of Sun (Pvt) Ltd. for the use of the management:

- a. Statement of Comprehensive Income for the year ended 31<sup>st</sup> March 2021.
- b. Statement of Financial Position as at 31<sup>st</sup> March 2021.

**(Total Marks 25)**

02. i. Ranjith, Sunil and Thilak were in a partnership sharing profits and losses in the ratio of 5:3:2 respectively. Ranjith and Sunil are entitled to receive a monthly salary of Rs.20,000/- each. The following balances were appeared in the books of the partnership as at 31<sup>st</sup> March 2021:

| Particular                         | Dr. (Rs.) | Cr. (Rs.) |
|------------------------------------|-----------|-----------|
| Capital Accounts as at 01.04.2020: |           |           |
| Ranjith                            |           | 2,250,000 |
| Sunil                              |           | 1,350,000 |
| Thilak                             |           | 900,000   |
| Current Account as at 01.04.2020:  |           |           |
| Ranjith                            |           | 95,000    |
| Sunil                              | 500,000   |           |
| Thilak                             | 200,000   |           |
| Drawings:                          |           |           |
| Ranjith                            | 780,000   |           |
| Sunil                              | 260,000   |           |
| Thilak                             | 60,000    |           |

The following additional information is also provided:

1. Net profit of the partnership for the year ended 31<sup>st</sup> March 2021 is Rs.1,600,000/-
2. Thilak decided to retire from the partnership on 31<sup>st</sup> March 2021 and

Ranjith and Sunil decided to continue the partnership sharing profits and losses in the ratio of 5:3 respectively, after the retirement of Thilak.

3. On 31<sup>st</sup> March 2021, goodwill of the partnership was valued at Rs.1,200,000/-. However, it was decided not to maintain the goodwill account in the books of the partnership.
4. It was decided to transfer amounts payable to Thilak at his retirement to loan account.

**Required:**

Prepare the following for the year ended 31<sup>st</sup> March 2021:

- a. Profit and Loss Appropriation Account.
- b. Partners' Capital Account.
- c. Partners' Current Account.

**(Marks 15)**

- ii. Prepare an Accounting Equation from the following transactions in the books of Mr. Raja for October, 2021:

- 1 Invested Capital in the firm Rs.20,000
- 2 Purchased goods on credit from Das & Co. for Rs.2,000
- 4 Bought plant for cash Rs.8,000
- 8 Purchased goods for cash Rs.4,000
- 12 Sold goods for cash (cost Rs.4,000 + Profit Rs.2,000) Rs.6,000.
- 18 Paid to Das & Co. in cash Rs.1,000
- 22 Received from B. Banerjee Rs.300 (being a debtor)
- 25 Paid salary Rs.6,000
- 30 Received interest Rs.5,000
- 31 Paid wages Rs.3,000

**(Marks 10)**

**(Total Marks 25)**

03. i. Ron set up a business selling keep fit equipment and in his first period of trading, the following transactions occurred April 2021.
  - April 1: Commenced business with Rs.40,000.
  - April 4: Bought goods for cash Rs.4,000
  - April 7: Sold goods Rs.700 (for Cash)
  - April 10: Bought goods from Ms. Bhandari Bros. Rs.2,700.
  - April 14: Purchased machinery of Rs. 5,000 from Ms. Kirloskar Bros.
  - April 16: Paid for transportation of machinery Rs.500 and installation charges Rs.300 on it.

- April 20: Paid quarterly interest on borrowed amount of Rs. 5,000 at 12% p.a.  
 April 24: Sold goods to Ms. Kunal & Sons Rs. 3,500.  
 April 27: Paid to Ms. Bhandari Bros. Rs.2600 in full settlement of account.  
 April 28: Ms. Kunal & Sons returned goods worth Rs.300 and paid for Rs.1,200 on account.  
 April 29: Received commission Rs.250.  
 April 30: Paid travelling to manager Rs.450.

**Required:**

- Enter the above transactions in the proper primary books and post them to ledger accounts.
- Prepare Trial Balance

(Marks 10)

- ii. Bank account as per the cash book and bank statement of Brain are given below.

**Cash book: January 2022**

| Details     | Rs.            | Details         | Rs.            |
|-------------|----------------|-----------------|----------------|
| Balance     | 102,000        | Salary 5019     | 5,600          |
| Raja 2256   | 15,000         | Rent 5020       | 4,000          |
| Karish 3245 | 3,800          | Stationary 5021 | 3,000          |
|             |                | Purchase 5022   | 8,000          |
|             |                | Balance c/d     | 100,200        |
|             | <b>120,800</b> |                 | <b>120,800</b> |

**Bank Statement: January 2022**

| Details                   | Debit | Credit | Balance |
|---------------------------|-------|--------|---------|
| Balance                   |       |        | 102,000 |
| Cheque No.10011           |       | 6,500  | 108,500 |
| 5019                      | 5,600 |        | 102,900 |
| 2256                      |       | 15,000 | 117,900 |
| 5020                      | 4,000 |        | 113,900 |
| 5021                      | 3,000 |        | 110,900 |
| Standing order: Telephone | 2,500 |        | 108,400 |
| Bank charges              | 300   |        | 108,100 |

**Required:**

Prepare Bank Reconciliation.

(Marks 15)

(Total Marks 25)

04. Sun Welfare Society involves to improve English language of youth. Following information was extracted from its accounts.

i. There are 50 members in the society as at 31.03.2021. Annual subscription of a member is Rs. 2,000.

ii. Assets and Liabilities:

| Description                         | 31.03.2021<br>Rs. '000 | 31.03.2020<br>Rs. '000 |
|-------------------------------------|------------------------|------------------------|
| Membership fees receivable          | 6                      | 10                     |
| Membership fees received in advance | 12                     | 8                      |
| Inventory – English books           | 60                     | 50                     |
| Furnitures and fittings             | 160                    | 180                    |
| Cash at bank                        | ?                      | 10                     |

iii. Following expenses were paid by cash year ended 31.03.2021.

|                      | Rs. '000 |
|----------------------|----------|
| Bought English books | 100      |
| Office rent          | 60       |
| Salary of bookkeeper | 60       |
| Office expenses      | 30       |

iv. Donation Rs. 200,000 was received by the society year ended 31.03.2021.

**Required:**

- Accumulated fund as at 01.04.2020.
- Cash at bank as at 31.03.2021.
- Income Statement year ended 31.03.2021.

**(Total Marks 25)**