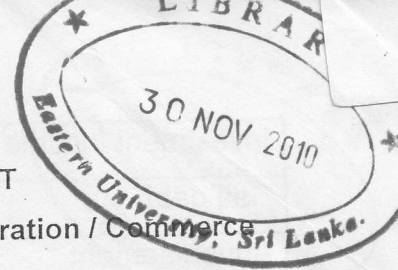


EASTERN UNIVERSITY, SRI LANKA
FACULTY OF COMMERCE AND MANAGEMENT



First Year Second Semester Examination in Business Administration / Commerce

2008/2009 (Sep' 2010) (Repeat)

DAF 1214 Financial Accounting

Answer All Questions

Calculator Permitted

Time: Three (03) hours

trial balance extracted from the books of a sole trader, Mr.Sivam, as at 31.12.2009
s follows

Items	Debit Rs.	Credit Rs.
Fixed assets: Land & Building	400000	
Furniture & Fittings	100000	
Motor vehicles	300000	
Equipment	80000	
Provision for depreciation as at 1.1.2009:		
Land & Building		40000
Furniture & Fittings		20000
Motor vehicles		100000
Equipment		15000
Investment	50000	
Stocks as at 1.1.2009	130000	
Debtors / Creditors	60000	55000
Provision for doubtful debt as at 1.1.2009		4000
Cash and bank	44500	
Purchases / Sales	850000	1500000
Goods return / Purchase return	40000	30000
Freight inwards	20000	
Freight outwards	30000	
Discount allowed / Discount received	9000	4000

Investment income received		
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		
Drawings	48000	
Capital		
	2390000	2

Additional information:

(i) Stocks as at 31.12.2009 are Rs.120000

(ii) Expenses payable as at 31.12.2009 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
provision for doubtful debt is to be made at 10% on the balance thereafter



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 31.12.2009, and Balance Sheet as at that date.

(50 Marks)

Ramesh, a Sole Trader, did not keep his books of accounts properly. However, he is to give the following financial information for her financial year ended 31.12.2009.

summary of his cash transactions 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:

	01.01.2009 Rs.	31.12.2009 Rs.
Land & Buildings	200,000	
Furniture	60,000	
Stock	30,000	
Debtors	20,000	
Creditors	15,000	
Electricity payable	2,500	
Cash in hand	5,000	

Other information:

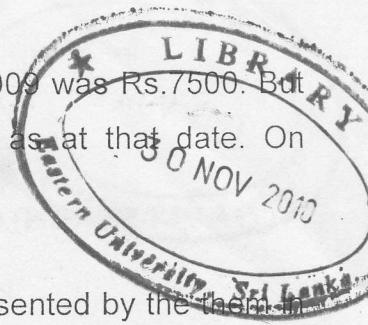
- I. Mr.Ramesh said he has drawn some cash from the business for her personal use during the year.
- II. No fixed assets were disposed during the year

Required:

Prepare the following:

- a) Cash account.
- b) The trading and Profit & Loss Account for the year ended 31.12.2009.
- c) The Balance sheet as at 31.12.2009. (Shaw your workings clearly)

bank balance as per the cash book of a trader as at 31.12.2009 was Rs.7500. But 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 the bank for payment: Dina Rs.8500 ; Jeya Rs. 4500; Nalini Rs.3000
- b) The cheques received from the following debtors and deposited in the Bank, but it has yet not realized them: Sithra Rs.7300; Rajee Rs.9000; Nisha Rs.2800.
- c) Bank paid a standing order of Rs.3000 for insurance.
- d) Investment income of Rs.2500 was realized by the bank directly.
- e) A cheque of Rs.5000 was deposited directly in the bank by a customer.
- f) Bank chargers of Rs.1500 were not recorded in the cash book.

Required:

Prepare the Bank Reconciliation Statement as at 31st December 2009 starting bank balance as cash book

(20 Marks)