

SECOND EXAMINATION IN SCIENCE - 1994/95 & 1995/96

OC 205 Financial Accounting

Time : 03 hours

Answer all questions.

01. Mr Ajith, a Shop-keeper had prepared the following trial balance from his ledger as on 31st December 1996 :

	Dr	Cr
	(Rs)	(Rs)
Purchases	67,840	
Sales		129,935
Stock of goods as on 01.01.1996	7,827	-
Cash in hand	267	
Cash at Bank	2,220	
Mr Ajith's Capital		41,944
Drawings	9,220	
Rent rates and insurance	12,987	
Salaries and wages	19,260	
Postage and telephone	1,205	
Furniture and fittings	60,370	
Bad debts	1,004	
Carriage inwards	5,915	
Carriage outwards	2,281	
Sundry creditors		9,920
Sundry debtors	12,300	
Discount allowed	1,103	
Discount received		875
Returns inwards	2,812	
Returns outwards		6,703
Heating and lighting	5,505	
Provision for bad debts		256
Advertising	2,990	
Provision for depreciation on furniture and fittings		25,473
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	215,106	215,106
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You are required to prepare Trading, Profit and loss Account for the year ended 31st December 1996 and a Balance Sheet as at 31st December 1996.

You are also given the following further informations :

- (i) Stock in the shop on 31st December 1996 Rs. 8,875
- (ii) Insurance have been prepaid by Rs. 560.
- (iii) Depreciation is to be provided on straight line method on furniture and fittings at 10%
- (iv) Heating and lighting is accrued by Rs. 680
- (v) Rates have been pre-paid by Rs.2718
- (v) The provision for bad debts is to be adjusted so that it is 3% of sundry debtors

(20 marks)

02. Enter the following transactions in the day books of "Moon light" Electrical traders.

- 1997
- July 01 Started business with Rs 400,000 cash
  - 01 Purchased for cash furniture Rs 20,000, land Rs 40,000
  - 02 Paid to Warri electricals for purchase of electric wire and plugs Rs 30,000
  - 03 Bought of sidles Ltd 20 immersion heaters 1200 watt. @ Rs 200 and 20 philips tube lights @ Rs 80
  - 04 Purchased stationery for cash Rs 300
  - 05. Took loan from Dilani at 6% Rs 50,000 and deposited money in the bank on the next day.
  - 06 Paid carriage Rs 100, other charges Rs 50
  - 07 Bought of Robert Agencies on account :
    - 30 table lamps (universal) @ Rs.250
    - 10 Electric kettles (National) @ Rs.450
    - 02 Electric iron @ Rs.250

- 08 Sales to Rangan on account :  
10 immersion heaters 1200 watt @ Rs.250  
02 table lamps (universal) @ Rs.300  
01 Electric iron @ Rs.310
- 09 Sales to Naveen on account :  
10 immersion heaters 1200 watt @ Rs.250  
12 Philips tube lights @ Rs.100
- 10 Paid wages by cheque Rs. 1500
- 11 Paid rent by cheque Rs.1000
- 12 Returns inward from Rangan :  
01 immersion heater 1200 watt  
01 Electric iron
- 15 Purchase from Mahamjah Organisation for cash :  
05 immersion heaters 1200 watt @ Rs.190
- 16 Returned goods to Robert agencies :  
04 table lamps (universal)  
02 Electric kettles (National)  
02 electric irons
- 18 Purchased on account :  
Furniture from modern furniture house Rs.2500
- 19 Paid for advertisement Rs.700
- 20 Sales to Dinesh on account :  
08 electric kettles (National) @ Rs.500
- 21 Purchased from Eswaran brothers on account :  
20 electric irons @ Rs.350  
02 electric ovens @ Rs.500
- 23 Received cheque from Rangan for the settlement of claim  
after deducting cash discount Rs.50
- 23 Purchased from Robert agencies on account :  
04 electric kettles (National) @ Rs.450  
05 Table lamps (universal) @ Rs.250

- 24 Sales to Naveen on account :  
01 electric ovens @ Rs.650
- 24 Cash sales of electric wire and plug Rs.640
- 25 Cash purchases from lanka electricals :  
02 electric table fans @ Rs.2200
- 26 Paid electricity bill Rs.150
- 27 Made payment to Robert agencies by cheque  
Discount received Rs.80
- 28 Purchased stationary on account from modern paper mart  
Rs.800
- 29 Sales to city electrical traders on account :  
10 Table lamps (universal) @ Rs.300  
05 immersion heaters @ Rs.250
- 30 Deposited in the bank Rs.25,000
- 30 Withdrew for personal use Rs. 7000  
(25 marks)

03. (a) A business with its financial year end being 31st December buys two motor vans No.01 for Rs.80,000 and No.02 for Rs.50,000 both on 1st January 1992. It also buys another motor van, No.03, on 1st July 1994 for Rs.90,000 and another, No.04 on 1st October 1994 for Rs.72,000. The first two motor vans are sold No.01 for Rs.22,900 on September 1995 and the other No.02 was sold for scrap Rs.500 on 30th June 1996.

Depreciation is on the straight line basis, 20 percent per annum, ignoring scrap value in this particular case when calculating depreciation per annum.

You are required to prepare the following accounts for the year ended 31st December 1996.

- (i) Motor Van Account
- (ii) Provision for depreciation Account
- (iii) Disposals of motor van Account.

(10 marks)

(b) Mr Arun is a Toy manufacturer. His trial balance as at 31st December 1996 was as follows :

	Dr (Rs)	Cr (Rs)
Stock of raw materials 01.01.1996	2,100	
Stock of finished goods 01.01.1996	3,800	
Work-in-progress 01.01.1996	1,350	
Wages (direct Rs.18,000; factory indirect Rs.14,500)	32,500	
Carriage inwards (on raw materials)	350	
Purchases of raw materials	37,000	
Productive machinery (Cost Rs.28,000)	28,000	
Accounting machinery (Cost Rs.2000)	1,200	
General factory expenses	3,100	
Lighting	750	
Factory power	1,370	
Administrative salaries	4,400	
Salesmen's salaries	3,000	
Commission on sales	1,150	
Rent	1,200	
Insurance	420	
General administration expenses	1,340	
Bank charges	230	
Discount allowed	480	
Carriage outwards	590	
Sales		100,000
Debtors and creditors	14,230	12,500
Bank	5,680	
Cash	150	
Drawings	2,000	
Capital as at 01.01.1996		28,980
	141,480	141,480

The following additional information as at 31st December 1996 is available :

- (i) Stock of raw materials Rs. 2400, stock of finished goods Rs.4000, work in progress Rs.1500
- (ii) Lighting, rent and insurance are to be apportioned Factory 5/6ths, administration 1/6th.
- (iii) Depreciation on productive machinery and accounting machinery at 10 percent per annum on cost

Required :

Prepare the manufacturing account for year ended 31st December 1996.

(15 marks)

- (c) Mr Ramesh has the following items in his balance sheet as on 30 June 1997 :

Capital Rs.13,900; Loan from S Ravi Rs.2000; Creditors Rs.1600; Fixtures Rs.3500; vehicle Rs. 4200; stock of goods Rs.4250; Debtors Rs. 3200; cash at Bank Rs.6450; cash in hand Rs.120.

During the first week of July 1997 Ramesh :

- (i) Bought extra stock of goods Rs. 770 on credit
- (ii) One of the debtors paid us Rs. 280 in cash
- (iii) Bought extra fixtures by cheque Rs.1000

You are to draw up a balance sheet as on 07 July 1997 after the above transactions have been completed.

(05 marks)

- Q4. The following is the Receipts and Payments Account of "singing fish" sports club for the year ended 31st December 1996 :

<u>Receipts</u>	<u>Rs</u>	<u>Payments</u>	<u>Rs</u>
Bank balance 01.01.1996	524	Payment for Bar supplies	3962
Subscription received for :		Wages :	
1995 (arrears)	55	Groundman and assistant	939
1996	1336	Barman	624
1997 (in advance)	40	Repairs to pavilion	110
Bar sales	5628	Bar expenses	234
Donations received	120	Ground upkeep	229
		Secretary's expenses	108
		Transport costs	305
		Bank balance 31.12.1996	1053
	<u>7603</u>		<u>7603</u>



The treasurer provided the following information :

	31.12.1995	31.12.1996
	Rs	Rs
Stocks in the bar - at cost	496	550
Bar creditors	290	340
Bar expenses accrued	25	36
Transport costs accrued	-	65

(2) The land and foot ball pavilion were valued at 31st December 1996 at : land Rs.4000; foot ball pavilion Rs.2000, the pavilion is to be depreciated by 10 percent per annum.

(3) The equipment at 31st December 1995 was valued at Rs. 550 and is to be depreciated at 20 percent per annum.

(4) Subscriptions owing by members amounted to Rs. 55 on 31st December 1995 and Rs. 65 on 31st December 1996 :

From the above information prepare :

- (a) Statement of Affairs as at 31st December 1995
- (b) Bar trading Account for the year ended 31st December 1996.
- (c) Income and expenditure Account for the year ended 31st December 1996.

(d) Balance Sheet as at 31st December 1996

(k) Distinguish between Gross Domestic Product (25 marks) Gross National Product.

(l) Give three advantages of National Income Accounting.

(m) Give three disadvantages of a Barter system

(n) What do you understand by a two sector model.