



# EASTERN UNIVERSITY, SRI LANKA

First Examination in Business Administration / Commerce

1998/99 (March 2005) (External) - Repeat

BBA/COM 102 Financial Accounting

Answer All Questions.

Time: Three (03) hours.

Calculator Permitted.

1. Rubi Limited Company has been incorporated with an authorized capital of Rs.1000000 consisting of 60000 ordinary shares of Rs.10 each and 40000 10% preference shares of Rs.10 each. The Trial Balance extracted from the books of the company as on 31.12.2004 is as follows.

Items	Debit	Credit
	Rs.	Rs.
Ordinary share capital		500000
10% Preference share capital		300000
Share premium		75000
Profit and Loss account as at 01.01.2004		139700
Sales		1573000
Purchases	725000	
Carriage inward	12700	
General reserve		70000
Preliminary expenses	25000	
Debtors	124000	
Creditors		85000
Provision for doubtful debt as at 01.01.2004		11500
Salaries	148000	
<b>Fixed assets at cost / Provision for Depreciation as at 01.01.2004:</b>		
Land and Buildings	750000	62000
Motor vehicles	380000	145000
Furniture and fittings	175000	60000

Stocks as at 01.01.2004	136000	
15% investments	400000	
10% Debentures		150000
Insurance	25500	
Building maintenance	40500	
Administrative expenses	68100	
Electricity	41900	
Sales commission	31500	
Value Added Tax	30500	
Cash and bank	65000	
Debenture interest	7500	
Investment income received		40000
Provision for income tax for 2003		45000
Income tax paid	40000	
Interim dividend paid –Ordinary (Gross)	20000	
Preference (Gross)	10000	
	<b>3256200</b>	<b>3256200</b>

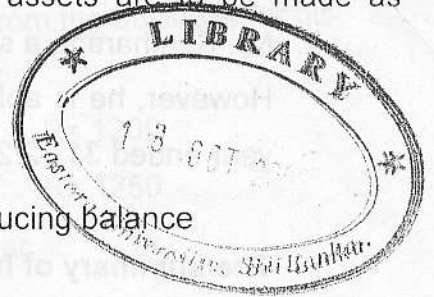
**Additional Information:**

- i. Stocks as at 31.12.2004 – Rs.125000.
- ii. It is to be provided for the following
 

Audit fees	-	Rs.25000
Directors' fee-		Rs.27000
- iii. A bad debt of Rs.4000 is to be written off from the debtor, and a provision for doubtful debt is to be made at 10% on remaining debtors

iv. The provisions for depreciation on fixed assets are to be made as follows:

Land and Buildings -	5% p.a at cost
Motor Vehicles -	10% p.a at cost
Furniture and Fittings-	10% p.a on reducing balance



v. The income tax for the year 2003 was agreed at Rs.40000 and paid off current year. The provision for income tax for the current year (2004) has been estimated at Rs.75000.

vi. The directors of the company have decided the following:

- To transfer Rs.10000 to General reserve
- To write off a half of Preliminary expenses
- To provide 10% final dividend to ordinary shareholders and the final dividend to Preference shareholders.

**Required:**

Prepare the following for Rubi Company in the format, which can be submitted to Shareholders. (Show the workings and notes clearly)

i. The profit and loss account for the year ended 31.12.2004

ii. The Balance Sheet as at 31.12.2004

**(30 Marks)**

2. Mr. Suntharam, a sole trader, did not maintain his books of accounts properly. However, he is able to provide you the following information for his financial year ended 31.12.2004.

**The summary of his Bank account for the year:**

	Rs.
Trade Creditors Paid	75000
Furniture Purchased	3600
Salaries Paid	1800
Deposited in the bank	94000
Rent paid	6600
Investment made	11000

**Other balances are:**

	01.01.2004	31.12.2004
	Rs.	Rs.
Building	75000	70000
Furniture	12000	15000
Stocks	9500	8000
Trade debtors	24400	27500
Trade creditors	19200	22500
Pre paid Rent	400	-
Salaries payable	-	300
Bank balance	5200	1200
Cash in hand	1900	2400



**Other information:**

- i. Mr. Suntharam had drawn Rs. 100 per week from the business for his own use during the year.
- ii. Electricity paid in cash - Rs. 1200
- iii. Investment income to be received - Rs. 1250
- iv. No fixed assets were disposed during the year.

**Required:**

Prepare the following for Mr. Suntharam

- i. Cash book (Two Column)
  - ii. The Trading, and profit and Loss account for year ended 31.12.2004
  - iii. The Balance Sheet as at 31.12.2004.
- (Show your working clearly)

(20 marks)

3. The Receipts and payments Account of Silver Star Sports Club for the year ended 31.12.2004 is as follows.

Receipts	Rs.	Payments	Rs.
Cash Balance b/d 01.01.2004	21000	Grounds maintenance	40200
Members Subscriptions	98700	Bar man salaries paid	12000
Ticket collection for competition	43700	Insurance	2400
Donations Received	20000	Stationery	2600
Received from Bar debtors	80600	Sports Equipment purchased	25000
		Prizes	31800
		Furniture purchased	50000
		Paid to Bar Creditors	30000
		Rent paid	5000
		Annual Dinner	18000
		Administrative Expenses	11800
		Cash balance c/d 31.12.2004	35200
	<b>264000</b>		<b>264000</b>

The ledger account balances are as follows:

	01.01.2004	31.12.2004
Club buildings (Book value)	125000	120000
Furniture (Book value)	40000	80000
Sports Equipment	35000	55000
Subscriptions Receivable	4500	3500
Subscriptions Received in Advance	3200	1200
Bar Debtors	12000	15000
Bar Creditors	8000	6500
Bar Stocks	7500	9000
Rent payable	1000	2000
Administrative expenses payable	800	500

**Required:**

Prepare the following for the Silver Star Sports club:

- i. The Statement of State of Affairs as at 01.01.2004
- ii. The Trading, and Profit and Loss account for the year ended 31.12.2004
- iii. The subscription Account
- iv. The Income and Expenditure Account for the year ended 31.12.2004
- v. The Statement of State of Affairs as at 31.12.2004.

(20 Marks)



4. The Bank statement of Vathana Stores for January 2004 is as follows.

Date	Particulars	Cheque No.	Debit	Credit	Balance
2004					
Jan 1	Balance b/f				15500
4	Ravi	583942	12500		3000
5	Deposit – Cheque	460274		10000	13000
8	Ramesh	583943	9500		3500
12	Deposit - Cheque	295683		7800	11300
18	Sanjeev	583944	8800		2500
24	Dividend realized			5000	7500
28	Direct Deposit by Nathan			3000	10500
31	Standing Order payment (Electricity bill)		6500		4000
	Bank Charges		1500		2500

The Bank account of Vathana Stores for the same month is as follows:

Date		Cheque	Rs.	Date		Cheque	Rs.
2004				2004			
Jan1	Bala. b/d		15500	Jan2	Ravi	583942	12500
2	Guhan	460274	10000	4	Ramesh	583943	9500
8	Kamal	295683	7800	10	Sanjeev	583944	8800
20	Nimal	859206	6500	18	Mohan	583945	7200
25	Risvi	674889	8000	25	Furniture	583946	4300
29	Jeevan	129857	5200	30	Suthan	583847	6900
				31	Bala. c/d		3800
			<b>53000</b>				<b>53000</b>

Required:

- Update the Cash Book (Bank Account)
- Prepare the Bank Reconciliation statement as at 31.01.2004.

(15 Marks)

5. The Trial Balance prepared by the bookkeeper of Rajan Stores as at 31.12.2004 did not agree in total. The difference in the trial balance was put in a suspense account. Then, the following accounting errors were found out.

- i. The sales day book was under cast by Rs.10000
- ii. The purchases day book was over cast by Rs.1000
- iii. Salaries account was under cast by Rs.5000
- iv. Discount Received Rs. 3000 was debited to Discount Allowed account.
- v. Purchase of furniture of Rs.8000 was debited to Purchase account
- vi. Sales of a motor vehicle of Rs.9000 was credited to Sales account
- vii. Insurance paid Rs.4500 was wrongly entered in the same account as Rs.5400.

**Required:**

- i. Write the journal entries to rectify the accounting errors.
- ii. Prepare the Suspense account and find out the opening balance.
- iii. Assuming that the Net profit calculated before the correction of errors is Rs.54800, calculate the Net profit after the correction of the errors.

(15 M)