

EASTERN UNIVERSITY, SRILANKA
FACULTY OF COMMERCE & MANAGEMENT
SECOND YEAR/ FIRST SEMESTER EXAMINATION IN ECONOMICS SPECIAL -2002/2003
& 2002/2003 (A) (JUNE/JULY 2003)
COM 2054 BASIC ACCOUNTING.

Answer All Questions **Time: 03 Hours**

01. Kumar and Siva were partners in a retail business sharing profits and losses: Kumar, two-thirds and Siva, one-third. Interest on fixed capital was allowed at the rate of 6% per annum, but no interest was charged or allowed on current accounts. Accounts were made up to 31st, March in each year.

The following was the partnership trial balance as on 31st, March 2003:

	Rs	Rs
Buildings (purchased on 1.04.2002)	6,00000	
Purchases	16,40000	
Motor Vehicles at cost	3,40000	
Balance at Bank	9,28000	
Salaries (including partner's drawings)	5,20000	
Stock on 01.04.2002	4,80000	
Shop fittings at cost	1,20000	
Debtors	90000	
Commission paid	42000	
Shop wages	2,20000	
Rent, rates, lighting & heating	1,24000	
General expenses	2,64000	
Capital accounts: Kumar		6,00000
Siva		4,00000
Current accounts: Kumar		1,60000
Siva		1,20000
Sales		35,00000
Provisions for depreciation on 1.4.2002		
Motor Vehicles		1,20000
Shop fittings		40000
Creditors		4,28000
	53,68000	53,68000

You are given the following additional informations:

- i. On 31st March 2003, the stock was valued at Rs.510,000.
- ii. Provision was to be made for depreciation on the motor vehicles and shop fittings at 20% and 5% per annum respectively at cost.
- iii. Salaries included the following partners' drawings:
Kumar Rs.60,000, Siva Rs.48,000
- iv. At 31st March 2003, rates paid in advance amounted to Rs.26,000 and Rs.16,000 was owed to rent.
- v. A Bad debt of Rs.10,000 is to be written off and a provision for Doubtful Debt is to be made at 2% on the remaining debtor balance.

Required:

Prepare

- I. Trading and Profit and Loss Account for the year ended 31, March 2003.
- II. The Balance sheet as on that date and the,
- III. Partners' Current Account in Columnar form.

(40 marks)

02.(a) Your book-keeper extracted trial balance on 31 December, 2002 which failed to agree by Rs.3300, a shortage on the credit side of the trial balance. suspense account was opened for the difference.

In January 2003 the following errors made in 2002 were found:

- i. Sales day book had been under cast by Rs.1000.
- ii. Rent account had been under cast by Rs.700.
- iii. Discounts Received account had been under cast by Rs.3000.
- iv. The sale of a motor vehicle at book value had been credited in error to Sales account Rs.3600.

You are required to:

1. Show the journal entries necessary to correct the errors.
2. Draw up the suspense account after the errors described have been corrected.

(10 marks)

(b) A sole trader's capital position is as follows:

	31.12.2001 Rs	31.12.2002 Rs
Motor Vehicle: Cost	2000	2000
Depreciation	(800)	(1200)
	1200	800
Stock	2040	2960
Debtors	865	1072
Bank	1017	1964
Cash	351	86
	5473	6882
Creditors	1706	1905
Net assets	3767	4977

He has estimated his drawings for the year at Rs.3000.

Required:

Calculate the Net profit for the year ended 31.12.2002.

(10 marks)

(Total 20 marks)

03. The following is an extract of the Cash book, (bank columns) of K.P.R & Sons Ltd, for the month of May 2003.

Date	Details	Rs.	Date	Details	Rs.
2003			2003		
May 1	Balance B/d	54000	May 2	Sarasu cheq. 989	36400
5	Sales	94100	4	Electricity 990	16700
10	Careem	184400	5	Stationery 991	19800
10	Arasan	89500	7	Sundram 992	3900
10	Haseern	1900	9	Postages 993	13400
18	Sales	63900	10	Motor repairs 994	35900
20	Saman	109700	20	Creditors-Sumas 995	13300
22	D Abdul	19200	20	Kamal 996	936000
22	Sales	78400	25	Wages 997	139000
28	Mummy	36600	27	Kalil 998	33700
29	Sales	31700	28	Zubahir 999	64900
29	Suganthan	28800			
30	Sales	42000			
31	Balance c/d	478800			
		1313000			1313000

The Company which banks with ABC Bank , Batticaloa Branch has received the following Statement of account from the bank:

K.P.R & Sons Ltd.

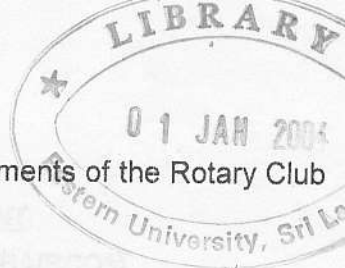
In account with ABC Bank, Batticaloa.

Date	Particulars	Debit	Credit	Balance
2003				
May 1	Balance b/d			54000
	990	16700		37300
	989	36400		900
	cheque		184400	185300
	991	19800		165500
	cheque		89500	255000
	Dividend		9000	264000
	cheque		109700	373700
	993	13400		360300
	997	139000		221300
	cheque		78400	299700
	Standing order	3600		296100
	Bank Charges	11000		285100
	Cheque		36600	321700

Required:

- Prepare the Adjusted Cash book and,
- A Bank Reconciliation Statement as at 31st May, 2003.

(20 marks)



04. The following is a summary of the Receipts and Payments of the Rotary Club during the year ended 31 July 2002.

Rotary Club

Receipts and Payments Account for the year ended 31 July 2002.

	Rs		Rs
Cash and bank balances b/d	2100	Secretarial expenses	1630
Sales of competition tickets	4370	Rent	1,4020
Members' subscriptions	1,9870	Visiting speakers' expenses	1,2750
Donations	1770	Donations to charities	350
Balance c/d	5130	Prizes for competitions	2700
		Stationery and printing	1790
	<u>33,240</u>		<u>33,240</u>

The following valuations are also available:

as at 31 July	2001	2002
	Rs	Rs
Equipment (cost Rs.14,200)	9750	7800
Subscriptions in arrears	650	850
Subscriptions in advance	100	370
Owing to suppliers of competition prizes	580	680
Stocks of competition prizes	380	460

Required:

- (a) Calculate the value of the accumulated fund of the Rotary Club as at 1 August 2001.
- (b) Prepare an Income and Expenditure account for the Rotary Club for the year ended 31 July 2002 and a balance sheet as at that date.

(20 marks)