

**Uva Wellassa University**  
**Faculty of Science and Technology**  
**Degree of Bachelor of Industrial Information Technology**  
***SECOND YEAR SECOND SEMESTER EXAMINATION – AUGUST/SEPTEMBER 2011***  
**IIT 241 -2 Financial Accounting for Industry**

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### Part C – Essay Questions

Answer **only two (02)** questions from Part C **including question no. 01.**

Show all the workings clearly. Any assumptions made should be stated clearly.

Marks allocation: 50 Marks

01) The following is the schedule of balances as on 31.03.2009 extracted from the books of S.Ganesh.

Particulars	Dr	Cr
Cash in hand	1,400.00	
Cash at bank	2,600.00	
Sundry debtors	86,000.00	
Stock on 01/04/2008	62,000.00	
Furniture and fixtures	21,400.00	
Office equipment	16,000.00	
Buildings	60,000.00	
Motor car	20,000.00	
Sundry creditors		43,000.00
Loan from B Balasinghem		30,000.00
Reserve for bad debts		3,000.00
Purchases	140,000.00	
Purchase returns		2,600.00
Sales		230,000.00
Sales returns	4,200.00	
Salaries	11,000.00	

Rent to Godwin	5,500.00	
Interest on loan from B.Balasinghem	2,700.00	
Rates and taxes	2,100.00	
Discount allowed to debtors	2,400.00	
Discount received from creditors		1,600.00
Freight on purchase	1,200.00	
Carriage outwards	2,000.00	
Drawings	12,000.00	
Printing and stationary	1,800.00	
Electric charges	2,200.00	
Insurance premium	5,500.00	
General office expenses	3,000.00	
Bad debts	2,000.00	
Bank charges	1,600.00	
Motor expenses	3,600.00	
Capital account		<u>162,000.00</u>
	<u>472,200.00</u>	<u>472,200.00</u>

**Prepare Trading and Profit and Loss Account** for the year ended 31<sup>st</sup> March 2009 and the Balance Sheet as at that date after making provision for following:

i. Depreciation as follows:

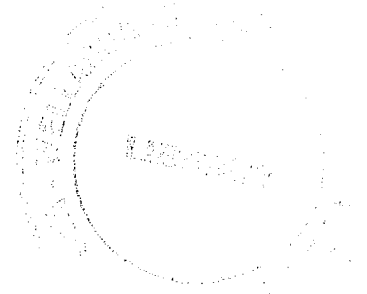
- a. Building used for business by 5%
- b. Furniture and fixture by 10%. One Steel Table purchased during the period for Rs.1,400 was sold for the same price but the sale proceeds were wrongly credited to sales account.

- c. Office equipment by 15%. Purchase of typewriter during the year for Rs.4000 has been wrongly debited to purchase account
- d. Motor car by 20%
- ii. Value of stock at the end of the year was Rs.44,000.00
- iii. One month rent to Godwin and one month salary are outstanding
- iv. Interest on loan from B.Balasinghem is payable at 12%p.a This loan was taken on 1.5.2008
- v. Reserve for bad debts is to be maintained at 5% of sundry debtors.
- vi. Insurance premium includes Rs.4000 paid towards proprietor's life insurance policy.
- vii. Half of the building used for residential purpose of S. Ganesh

(30 Marks)

02)

- a) State the objective of preparing a Bank Reconciliation Statement?  
(3 marks)
- b) State any three reasons for the possibility of appearing a difference between bank statement balance and adjusted cash book balance?  
(3 marks)
- c) Describe in brief the significance of preparing a bank reconciliation statement  
(4 marks)
- d) Amal close his books on 31<sup>st</sup> march each year. When he received the bank statement for 31 march 2010 he found that there was Rs.45,600 balance in his current account. On comparison with cash book it was found that ;
  - i. The bank has charged interest Rs.810 and bank charges Rs.40
  - ii. A cheque received from a customer on 28<sup>th</sup> march amounting to Rs.1150, which was banked on next day and returned dishonored, bank charging Rs.5.
  - iii. Cheques issued in the last week of March amounting to Rs.3570 were not yet presented for payment.



- iv. Cheques deposited on 29<sup>th</sup> and 30<sup>th</sup> march amounting to Rs.4120 had not yet been cleared.
- v. The total of one page in cash book (debit side) Rs.15,690 was carried forward as Rs.16, 950 to the next page

**You are required to prepare the bank reconciliation statement.**

(10 marks)

(Total- 20 Marks)

03)

- a. State when do a partnership need to revalue there assets and liabilities (2 Marks)
- b. Briefly describe the reasons for such revaluation (2 Marks)
- c. A, B and C are partners of a partnership sharing profits and losses in the ratio of 3:2:1. The following balance sheet was extracted from their books as at 31/12/2008.

Land and Building	80,000
Plant and machinery	125,000
Goodwill	10,000
Inventory	27,000
Debtors	18,000
Cash	2,500
	<b>262,500</b>
Capital accounts	
A	100,000
B	80,000
C	60,000
Creditors	22,500
	<b>262,500</b>

On 31/12/2008 "C" retired from the business and the goodwill of the business at that date was valued at Rs.50,000 and the assets of the business revalued as follows.

Land and Building	100,000
Plant and machinery	110,000
Inventory	32,000

Partners decided to take the new values into the books and the amount to be paid to "C" should be treated as a loan to the business.

On 1/1/2009 a new partner "D" entered to the partnership. "D" agreed to bring Rs.50,000 to the business and the new profit sharing ratio is 2:2:1 among A, B and D respectively.

Partners decided to remove the Goodwill account from the books.

You are required to show the journal entries to record these transactions and to prepare the balance sheet as at 01/01/2009 for the **new Partnership business**

(16 Marks)

(Total-20 Marks)

