

**Uva Wellassa University**  
**Faculty of Animal Science and Export Agriculture**  
**BSc. in Tea Technology and Value Addition**  
**BSc. in Palm and Latex Technology and Value Addition**

**THIRD YEAR SECOND SEMESTER EXAMINATION – SEPTEMBER /OCTOBER 2012**  
**TEA 344 -2 Financial Accounting**

**Instructions to candidates:**

- No. of pages : Four (04)
- No. of questions : Three (03) Essay
- Time allocation : One (01) hour
- Marks allocated : 50 Marks

Index Number:

Answer only two (02) questions from part C  
 Show all the working very clearly. Any assumption(s) if available should be clearly stated.  
 Question paper is not to be removed out from examination hall.

**Part C – Essay Questions**


01) The Balance sheet of Alpha Enterprises as at 01 January 2012 is given below

(Rs.'000)

Capital	10,000	Machinery	9,000
Bank Loan	2,000	Stock	2,000
Creditors	500	Debtors	1,000
		Cash	500
	<u>12,500</u>		<u>12,500</u>

Transactions occurred during the month of January 2012 are given below.

- a) Purchase goods for Rs.30,000
- b) Obtain a bank loan of Rs.1,000,000
- c) Purchased a machine for Rs.800,000
- d) Purchased goods on credit for Rs.500,000
- e) Goods sold for Rs.3,500,000 , cost of the goods sold was Rs.1,900,000
- f) Goods sold on credit Rs.1000,000, cost of the goods sold was Rs.500,000
- g) Cash paid to creditors Rs.500,000

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- h) Cash received from trade debtors Rs.900,000, discount allowed Rs.20,000
  - i) Administrative expenses paid Rs.100,000
  - j) Distribution expenses Rs.80,000
  - k) Loan installment paid Rs.150,000 including interest of Rs.25,000
  - l) Dividend paid Rs.500,000
  - m) New capital introduced by the owner Rs.5,000,000
  - n) Bought a new building for Rs.5,000,000

Note: The value of closing stock as at 31<sup>st</sup> January 2012 is Rs.300

**You are required to;**

- i) Record the opening balances and the above transactions in the following accounting equation.  

$$\text{Building} + \text{Machinery} + \text{Stock} + \text{Debtors} + \text{Cash} = \text{Equity} + \text{Bank Loan} + \text{Creditors}$$

(8 marks)
- ii) Prepare the income statement of Alpha Enterprises for the month ended 31<sup>st</sup> January 2012  

(9 marks)
- iii) Prepare the Balance sheet of Alpha Enterprises as at 31<sup>st</sup> January 2012  

(8 marks)

(Total - 25 marks)

02)

- i) State any three uses of journal  

(3 marks)
- ii) Following transactions taken place in Gamma Enterprises during the month of August 2012.
  - a) 1/8/2012 Credit sales: Thompson Rs.561,000; Rodrigo Rs.148,000; Peter Rs.145,000
  - b) 3/8/2012 Credit purchases: Perera Rs.144,000; Harris Rs.25,000; Wictor Rs.76,000
  - c) 6/8/2012 Credit sales: Anuradha Rs.89,000; Mendis Rs.78,000; Kosth Rs.275,000
  - d) 11/8/2012 Goods Returned inwards: Mendis Rs.18,000; Kostha Rs.175,000
  - e) 11/8/2012 Credit Purchases: Harris Rs.165,000; Mohommod Rs.135,000
  - f) 15/8/2012 Goods return outwards: Mohommed Rs. 100,000; Harris Rs.15,000

You are required to;

ii-i) Journalize the above transactions

(6 marks)

ii-ii) Post the items to the relevant accounts in the sales ledger and the purchase ledger

(3 marks)

ii-iii) Transfer the total of the day books to the accounts in the general ledger

(3 marks)

iii) Greenway Enterprises is a fast growing small scale plantation organization. Since the number of transactions increasing rapidly they decided to maintain a separate account for petty cash transactions. The petty cash float was decided to be at Rs.8,000, and to restore the balance on the first day of each month. At 31<sup>st</sup> July 2012 petty cash balance was Rs.1937.

During the month of August 2012, the following petty cash transactions were taken place:

1/8/2012	Cash received from the main cashier to restore the imprest
2/8/2012	Bus fare Rs.141
4/8/2012	Stationary Rs.235
7/8/2012	Postage stamps Rs.170
7/8/2012	Bus fare Rs.130
7/8/2012	Trade journal Rs.150
8/8/2012	Bus fare Rs.164
11/8/2012	Stationary Rs.400
12/8/2012	Parcel postage Rs.635
15/8/2012	Paper clips Rs.50
20/8/2012	Postage stamps Rs.150
20/8/2012	Bus fare Rs.80
21/8/2012	photocopier paper Rs.450
22/8/2012	Train fare Rs.120
23/8/2012	Typewriter repair Rs.1,366

24/8/2012	Wrapping paper Rs.78
25/8/2012	Settlement of Mr. Perera's account in the purchase ledger Rs.1,500
26/8/2012	Settlement of Mr. Perera's account in the purchase ledger Rs.1,200
30/8/2012	Postage Rs.15

**You are required to;**

- (iii – i) Record the above transactions in the petty cash book of Greenway Enterprises  
(7 marks)
- (iii – ii) Balance the account as at 31/8/2012  
(1 mark)
- (iii – iii) Show the imprest reimbursement entry on September 1<sup>st</sup> 2012  
(3 marks)
- (Total- 25 marks)

03)

- i) "Application of the prudence concept results in understating the profits and gains of an organization". Therefore is it wise to ignore the prudence concept in preparation of financial statements". Critically evaluate the above statement with suitable examples.  
(10 marks)
- ii) Write short notes on following topics
- Historical development of Financial accounting
  - Final accounts of a partnership business
- (15 marks)
- (Total- 25 marks)

