

THE OPEN UNIVERSITY OF SRI LANKA
 BACHELOR OF MANAGEMENT STUDIES DEGREE PROGRAMME
 LEVEL 03
 ASSIGNMENT TEST -2008
 FINANCIAL AND COST ACCOUNTING – MCU 1206
 DURATION: TWO (02) HOURS

DATE: 24.08.2008

TIME: 10.00 a.m – 12.00 noon

INSTRUCTIONS

- Answer any three (03) questions.
- All questions will carry equal marks.

Q1.

Following information is given to you from the books of Saman Traders for the year ending on 31/12/2007.

Trail balance prepared for the year ending 31st December 2007.

Balances	Dr	Cr
Salary	28,000	
Advertising	20,000	
Purchases/Sales	900,000	1,500,000
Bad debts	2,500	
Insurance	18,000	
Commission paid/ Received	12,000	35,000
Stock as at 1.1.2007	40,000	
Bank charges	7,000	
Cash & Bank	21,000	
Land & Building/ Accumulated Depreciation as at 1.1.2007	800,000	350,000
Furniture and Fittings/ Accumulated Depreciation as at 1.1.2007	500,000	150,000
Postage	8,000	
Sales return/ Purchase Return	6,500	14,000
Debtor/ creditor	35,000	22,000
Bank Loan of 10%		180,000
Bank interest paid on Loan	7,500	
Discount paid/ Received	8,000	21,000
Drawings by Saman	25,000	
Telephone	18,000	
Legal Charges	18,000	
Good will	250,000	
Investment of 8%	300,000	
Investment income received		12,000
Carriage inwards	9,500	
Capital made by Saman		750,000
	3,034,000	3034000

Consider the following information also.

- Telephone bill of 1500/= due for the month of December, 2007 was not paid till the end of the year 2007.
- In advertising materials, items worth of 3500/= can be used for next year (2008).
- Salary includes monthly salary of 1500/= paid for 6 months to the servant employed at the Sman's home.
- In insurance, Mr.Saman's wife life insurance payment amounting to 3500/= also has been included.
- Buildings were to be depreciated at a rate of 10% in the reducing balance method.
- Furniture and fittings must be depreciated at a rate of 10% in the straight line method.
- Depreciations for non-current asset were not made in the year 2007.
- Bank loan was received on 1.04.2007. Interest on loan was not made fully till the end of the year.
- Arrears in the investment income were to be received at the end of the year.
- Closing stocks were valued as on 31/12/2007 at Rs.25000/=
- Among the total debtors in the trial balance, Rs.2000/= became bad debts and in the remaining amount 10 % was to be reserved as provision for doubtful debts.

Based on the above information prepare the following to the Saman Traders.

- Trading, Profit and loss account for the year ending 31/12/2007
- Balance Sheet as at 31/12/2007

Q2.

Amal and Kamal decided to do a textile business in Galle on a seasonal basis during the last New Year festival. Then they both formed a joint venture to perform this business. In this way Amal and Kamal agreed to share profit and losses in the ratio of 3: 2 between them respectively.

Then the following transactions took place in their business.

01/04/2008- Amal purchased textiles worth of Rs. 25000 from Colombo and sent it to Galle at a transport cost of Rs. 4000/=.

05/04/2008-Kamal sold textiles to an amount of 35000/= and made an advance payment of 20000/= to Amal.

06/04/2008-Selling expenses incurred by Kmal 3000/=.

09/04/2008-Amal made another purchase of textiles at a cost of 35000/= and sent it to Galle at the expense of 5000/=.

10/04/2008-Textiles worth of 2500/= were found to be defective when it arrived at Kamal's place in Galle and it was removed from the stock.

11/04/2008- Textiles sold by Kmal on cash Rs. 25000 and on credit Rs. 20000/=. And he could collect only 19000/= from the debtors.

12/04/2008-Kmal drew some textiles worth of 5000/= to his family for New Year.

Then they decided to wind up their business. Kamal send all the remaining money to Amal after deducting his expenses and share of profit.

Based on the above information prepare the following accounts for the joint venture between Amal and Kamal.

- Joint venture memorandum A/c
- Joint venture A/c with Kamal in the books of Amal
- Joint venture A/c with Amal in the books of Kamal.

Q3)

Suren, Paran and Manjula were running the partnership businesses for the last 10 years and they finally decided to dissolve the partnership due to various reasons.

They shared profits and losses in the ratio of 5:3:2 respectively. When they decided to dissolve partnership business their Balance sheet appeared as follows.

<u>Capital Accounts</u>	Rs.	<u>Non Current Assets</u>	Rs.
Suren	500,000	Land & Buildings	500,000
Paran	300,000	Motor Vehicles	<u>250,000</u>
Manjula	<u>200,000</u>		750,000
	1,000,000		
<u>Current Accounts</u>	Rs.	Investment	150,000
Suren	25,000	Goodwill	150,000
Paran	(15,000)		
Manjula	<u>40,000</u>	<u>Current Assets</u>	
	50,000	Stock	60,000
10% Bank Loan	100,000	Trade Debtors	50,000
		Cash	40,000
<u>Current Liabilities</u>			
Trade Creditors	50,000		
	<u>1,200,000</u>		<u>1,200,000</u>

Further information is given below

1. The assets were realized as follows.

	Rs.
Land and Buildings	600,000
Motor Vehicles	100,000 (One vehicle)
Investment	140,000
Stocks	40,000 (Partly sold)
Trade debtors	45,000

2. One motor vehicle was taken over by Suren at a value of Rs. 60,000/=
3. Remaining stocks were accepted by Paran at an agreed value of Rs.10,000/=
4. Creditors were settled Rs.5,000 less than the book value.

5. Bank loan was settled with the six months interest arrears.
6. Dissolution Expenses paid 15,000/=
7. Any amounts payable or receivable with the partners were settled through cash.

Show the following accounts for the dissolution of the partnership.,

- Realization account
- Partners capital account and
- Cash account

Q4.

Hema Textiles imports and sells sarees. Their main business is in Colombo and they deploy Jegath an agent in Kandy to make their sales activities there.

During the year ended 31/12/2007, they recorded the following transactions in connection with agent's selling.

250 sarees, each of which costs for 800/= were sent to Jegath for sale at the invoiced price of 1100/= each.

Hema textiles incurred the following expenses as well to dispatch sarees to Jegath.

- Packing cost -50/= for each saree.
- Transportation cost incurred 5000/= (in total)

On receiving the consignment, Jegath accepted only 230 sarees and the rest he returned in the same vehicle with out any additional expenses.

After accepting the consignment, Jegath incurred the following expenses

- Storage and maintenance - 25/= for each saree
- Selling and distribution - 4000/= in total

Jegath is entitled for a sales commission of 5% of total sales.

At the end of the financial year, he could sell only 200 sarees at the invoiced price and the rest were found to be the closing stock.

From the given information prepare the following a/c in the books of Hema Textiles

- Consignment A/C
- Consignor (Jegath) A/C